

# Chairman's Statements



| MR. ZHANG YANG

I am pleased to announce that the audited profit attributable to the shareholders of the Group for the year ended 31 March 2002 amounted to HK\$141,004,000 (2001: HK\$384,388,000), representing a decrease of 63.32% as compared with last year. If not taking into account the profit generated by the waiver of part of the debts by the relevant bank creditors and other creditor and restructuring expenses following the successful completion of the restructuring exercise in August 2000, the adjusted loss attributable to the shareholders should be HK\$17,713,000 for last year. Accordingly, profit attributable to shareholders for the current year actually increased by HK\$158,717,000, representing an increase of 896.05%, as compared with the adjusted loss for last year.

## **BUSINESS REVIEW AND PROSPECTS**

During the year, the Group has mainly completed the three fundamental tasks tailored for its future development: to clearly define the strategies and objectives of business development of the Group; to establish the operating platform for business development; and to optimize the current assets and liabilities so as to alleviate the burden and make room for development. Our objective is to develop the Group into a conglomerate, expanding our business from single-line property development into a conglomerate mainly engaged in the investment in environmental protection and water treatment operation and city development and investment operation. In order to implement its development plan under its strategic





objective, the Group has appointed a number of distinguished individuals as directors of the Company and continued to recruit different kinds of professionals to boost our core business during the year. At present, the Group mainly focuses on the environmental protection and water treatment operation and city development and investment operation supplemented by securities and financial operation, property investment operation.

In addition to the perfection and transformation of its business development, the Group has also finished optimizing its assets and reducing its debts, which will facilitate future financing activities for the expansion of the Group's business operation.

**Business Review**

***Environmental Protection and Water Treatment Operation***

In order to complement its environmental protection and water treatment operation in the People's Republic of China (the "PRC"), the Group has established an operating framework



and platform for this operation. In October 2001, the Group signed an agreement with Tsinghua University in Beijing for the establishment of an environmental technology research center, taking advantage of the scientific research facilities of Tsinghua University and its strength in fostering talents, to commence research on environmental science which will substantially bolster the future development of environmental protection operation of the Group. The Group has also formed strategic alliance with North China Municipal Engineering Design & Research Institute (中國市政工程華北設計研究院) and Beijing Municipal Construction Group Co., Ltd (北京市政建設集團有限責任公司) and set up joint venture companies to co-operate in the technology research, development and application, planning and design, project contracting, supply of equipment and



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investment projects for water supply and sewage treatment operation, aiming at business expansion in the water supply, sewage treatment and environmental protection industries.

In March 2002, the Group committed to invest in water supply project in Hangzhong City, Shanxi Province and officially embarked on water supply operation of environmental protection and water treatment operation.

### ***City Development and Investment Operation***

For city development and investment operation, the Group has signed a co-operative agreement in March 2002 with Changsha Municipal Government and Changsha Municipal Land Development and Construction Company Limited, to participate in the infrastructure construction of Changsha New Sports City in preparation of the 5th National City Games. By participating in the infrastructure construction of Changsha New Sports City, the co-operative relationship between the Group and Changsha Municipal Government can be enhanced, which helps the Group to take the initiative to participate in the large-scale city development and investment projects in the Changsha City.

### ***Property Investment Operation***

During the year, property investment still generated a stable income to the Group, accounting for 27.25% of the total turnover.



For Shanghai Underground Shopping Mall which is a large-scale shopping mall invested by the Group in Shanghai, its occupancy rate reached up to 100%. Further, the Group made a gain of HK\$149,163,000 from the disposal of an investment property situated in Beijing during the year for a consideration of HK\$151,000,000. This transaction generated substantial returns to the Group.

In addition, the Group made further investment in its property development project situated at the Beiwaitan area in Shanghai, the PRC, increasing its beneficial shareholdings from 54% to 90%. Also in October 2001, the Group successfully tendered for a piece of prime land located at the riverside of Suzhou on Hengfeng Road in Shanghai, for a





consideration of approximately RMB60,000,000. The site is planned for a five star hotel or serviced apartments.

The construction of a private clubhouse, 上海國中會所, in Shanghai was completed. The clubhouse comprises a rich assortment of facilities, including high-class Chinese and Western restaurants, indoor thermoregulatory swimming pool, sauna and various sports facilities, etc., with an aim to providing all members with quality services both during business hours and leisure time. The Group is actively working on a member recruitment plan.

#### ***Securities and Financial Operation***

Although the economic environment in Hong Kong was poor and competitions within the securities industry intensified during the year, the businesses of Interchina Securities and Futures, which was acquired at the beginning of

the year, still recorded a total of commission income and interest income of HK\$53,887,000, accounting for 72.75% of the Group's total turnover. In order to strengthen our investment in securities and financial operation and better position ourselves for the opportunities arising from China's accession to the World Trade Organization (the "WTO"), the Group has increased its investment in Interchina Securities Limited ("Interchina Securities") in November 2001, with substantially increased the issued share capital of Interchina Securities and the shareholdings to HK\$100,000,000 and the shareholdings was further increased up to 85%, respectively.

#### **Prospects**

##### ***Environmental Protection and Water Treatment Operation***

Following China's successful accession to the WTO and the furtherance of its open-door



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policy, the external condition is in place for continuous economic development in China. Large-scale infrastructure construction of cities and towns will become a powerhouse to lead a sustainable economic development. With the fast pace of the PRC government to privatize water treatment construction, there is room for continuous business growth in respect of water supply and sewage treatment projects in the PRC.

Apart from operation related to water treatment, North China Municipal Engineering Design & Research Institute (中國市政工程華北設計研究院), the strategic alliance of the Group is also authoritative in the areas of heat supply, gas supply and treatment of garbage disposal. Therefore, there is room for exploration of new business apart from the water treatment operation.

### ***City Development and Investment Operation***

As for city development and investment operation, the Group adopts its special BT (Build and Transfer) investment model as its method and medium to aggressively involve in the renovation and construction of various major cities and provinces. The use of the BT investment model can ensure a stable income to the Group.

By participating in infrastructure and environmental protection projects, the Group will increase its premium, high growth value land reserve at fixed price for the future development of property investment operation in the PRC.

While ensuring that a simple and repetitively operating business model is applied in each of the environmental protection or infrastructure projects, together with its city development and investment, realization of the high value of land acquired at low cost, the Group is confident that its strategic objective of providing high living standard can be achieved.

### ***Property Investment Operation***

The Group has long before realized the potential of the property market in the PRC and has established strong working relationship with various mainland cities and provinces, thus enabling us to achieve our strategic objective more quickly, i.e. to develop quality and well-planned communities in prime locations. Since





last year, we have actively set up representative offices in major cities throughout the PRC and have established a professional team of management and implementation, so as to accelerate the implementation of the development plan of the property investment operation.

Since the properties of the Group are mainly distributed in major cities like Hong Kong and Shanghai, there is a good potential for capital gain, especially for the prime quality properties in Shanghai. The Group expects that considerable and steady returns will be generated in the coming years. The Group has determined to participate in the infrastructure construction for Changsha New Sports City in order to strengthen our working relationship with Changsha Municipal Government and lay the foundation for the future development of luxury houses. Furthermore, the Group has already expanded its premium property investment operation to hotel and private clubhouse. Apart from bringing stable incomes to the Group, this operation has also helped to establish and develop a market resources network.

### ***Securities and Financial Operation***

At present, the Group continues to expand its professional team of securities and futures investment advisors in Hong Kong, including the arena of institutional investors. Apart from this, the Group is planning to upgrade its business scope from solely financial operation presently to providing a comprehensive service, comprising fund management, corporate financial advisory services, consultation and analysis, capital market and direct investment. This operation will be

based in Hong Kong and serve a large number of enterprises from the PRC.

In view of the fact that the Group has finished its preparation to enter the PRC market, and is actively exploring any strategic cooperation with its co-operative partners in the PRC, so as to implement the plan of conducting financial businesses in the PRC as soon as possible.



### **ACKNOWLEDGEMENT**

I am confident that the Group will continue to succeed and the projects and expansion plans of the Group will enhance the growth and value for the shareholders. I would like to take this opportunity to extend my gratitude to all Board directors and staff of the Group for their support and continuous efforts.

By order of the Board

**Zhang Yang**

*Chairman*

Hong Kong, 10 July 2002