

During 2001, the Hong Kong economy witnessed slow growth as a result of the negative impact from the downturn of the U.S. and global economies. But the economy of the PRC, where the majority of the Group's investments were based, recorded sustained high and rapid growth during the year. It is envisaged that PRC's successful entry into the World Trade Organisation will further bring about tremendous business opportunities in the years ahead.

During the year under review, the Group implemented effective rationalization of its capital structure and its mode of business operations and recorded notable results. Turnover of the Group amounted to HK\$341,976,000, with a 35% growth when compared with the corresponding period (adjusted on a pro-rata basis) last year. The loss for the year was HK\$14,825,000 which was mainly attributable to a total of HK\$22,643,000 impairment loss of a dry bulk carrier, M.V. Jin Feng. Other principal businesses were on steady growth, thus contributed to a gradual increase of earnings to the Group.

In terms of the geographical spread of its business operations, the Group strived to shift its focus from Hong Kong and its neighbouring regions to the PRC. As a result, the proportion of PRC based businesses went up from 34.4% to 59.5%. The Group is expected to reap huge benefits from its active participation in the PRC's booming economic activities as a result of her rapidly expanding economy.



**Mr. HE Ping**  
*Vice-Chairman*

In terms of business activities, the most significant change involved the decline in investments in the shipping sector. The turnover of this sector fell from 29.1% last period to 20.7%. On the other hand, manufacturing and thermal power plants businesses recorded significant growth in turnover, accounting for 17.1% and 10.7% respectively of the total turnover of the Group. Other principal activities such as property investments, hotel and financial services remained relatively stable in terms of their contributions to total turnover, at 22.1%, 15.1% and 14.3% respectively. This bears witness to the Group's successful shift in focus from under-performing industries to businesses that can generate stable and commendable returns to shareholders.

During the second half of 2001, the Group entered into an agreement with its Australian joint venture partner, Queensland Power Trading Corporation to acquire the remaining 50% of the entire issued shared capital of NCHK Power (Shengzhou) Limited ("NCHK") which increased the Group's shareholding in NCHK to 100% for a total consideration of US\$2,200,000, which is at approximately 25% discount to its book value. As a result, the Group now owns 100% of the entire



**Mr. WANG Jun**  
*Chairman*

## CHAIRMAN'S STATEMENT

issued share capital of NCHK which indirectly owns 52% of the issued share capital of Shengzhou Xinzonggang Thermal Power Co., Ltd. ("Shengzhou Thermal Power") which is located in Zhejiang province. After obtaining control of the Shengzhou Thermal Power, the Group have since deployed management personnel in supervising its operational management. The successful acquisition of the controlling interest in Shengzhou Thermal Power will not only provide a steady and relatively stable high cash yield to the Group but will also pave the way for the Group in furthering its infrastructural investments.

Beijing Polystar Digidisc Co. ("Polystar") was acquired by the Group in 2001 and have since recorded a steady expansion of its production capacity and raised its sales turnover. During the year under review, Polystar's production capacity accounted for 9.4% of the total production capacity of that of the city of Beijing whereas Polystar's actual production volume for 2001 accounted for 16.7% of that of Beijing's and significant profits were recorded.

It is envisaged that the economy of the PRC will sustain its high growth rate, and will become a stabling force and drive engine for the Asia-Pacific region. The PRC's entry into the World Trade Organisation will make her markets more accessible to the world and her investment environment and her economic systems will be gradually integrated with conventional standards of the international community. Furthermore, the PRC government will continue to exercise due care over its monetary policy and will implement measures that will further stimulate consumer spending and investments, in order to ensure that her GDP will hover at or above 7%. Under these positive circumstances, the Group will continue to exercise its advantages and further develop its "China Concept" investment strategy with the blessings and support from the Group's parent controlling company, China Poly Group Corporation. The Group will actively pursue investment opportunities and explore investments projects with high growth potential and stable return to equity. At the same time, the Group will further enhance the operational management of its existing projects and strives to increase their economic benefits.

The Group will complete its business and asset restructuring exercise in the near future. The Group will add further weight to its investments in three core areas namely properties investments, infrastructural investments and culture/mass media. On completion of its business and asset restructuring exercise, coupled with further investments in the three above-mentioned core areas will further enlarge the Group's earnings base and achieve desirable returns for shareholders.

Last but not least, on behalf of the board of directors, we would like to express our gratitude for the support of our shareholders and the dedication and effort of our staff members