

## Chairman's Statement



**Liu Jinxiang**  
*Chairman*

In the year of 2001, the Group's cement and newsprint businesses both performed satisfactorily due to expansion of production capacity and sales as well as improved operational efficiency which offset lower turnover from the toll road and property businesses. Toll road business was affected by temporary factors such as construction of road networks. Property business recorded lower sales area as a result of the Government's tightening of pre-sale regulations.

While the Guangzhou market was expanding steadily, Hong Kong continued to be affected by a slow economy. Revaluation deficits and provisions made in 2001 amounting to HK\$42,404,000 mainly related to the Group's remaining Hong Kong property projects. In the year, the Group achieved profit attributable to shareholders amounted to HK\$39,782,000.

A milestone development of the Group last year was the acquisition of a majority interest in Guangzhou City Construction & Development Holdings Ltd. ("Guangzhou Construction"). Through this acquisition and disposal of non-core businesses such as cement, RMC and high technology businesses, the Group will be able to reallocate internal resources more efficiently and concentrate on property investment and development business in Guangzhou.

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The operation of Guangzhou Construction is highly complementary to the Group, which currently has a proportionally smaller land bank and investment properties and does not engage in design, certification of property development projects, and provision of agency services. Most importantly, with Guangzhou Construction's management team joining the Board and be responsible for managing all the property projects, the Group's operating expertise in the property business, which is capitalised on the Group's commercial experience accumulated in Hong Kong throughout the years, will be further strengthened.

Looking ahead, the Group's goal is to develop as a leading property developer in Southern China, in which Guangzhou is amongst the fastest growing and affluent cities in China with one of the highest household income and GDP per capita in 2001. Toll road business will continue to provide recurrent income to support the property business while the Group's interest in paper business will be reduced gradually through a proposed A-share listing of Guangzhou Paper Limited ("Guangzhou Paper"). The Group will also undertake a review on the development potential of its remaining property projects in Hong Kong and Macau later this year to further streamline its business.

With gradual improvement of the international market, the Group believes that economy of China, especially Southern China, will continue to outperform. The Group is optimistic on its medium term development as it is shifting its business focus to Guangzhou property and the full effect of the above-mentioned acquisition will become evident in the second half of 2002.

Lastly, I would like to thank our shareholders, directors and staff members for their support, hard work and dedication in 2001. Last year, Mr Zhang Bohua retired and resigned from the Board. I would like to thank him for his contributions and welcome Mr Chen Guangsong, Mr Li Fei, Mr Luo Guoqing, Mr Yin Hui, Mr Wu Yiyue and Mr Wang Hongtao joining the Board.

**Liu Jinxiang**

*Chairman*

Hong Kong, 19th April 2002