

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2003.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 45 and 17 respectively to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 31.

The directors do not recommend the payment of any dividend.

## **INVESTMENT PROPERTIES**

During the year, the Group acquired investment properties at a cost of HK\$283,000,000 and disposed of certain investment properties with carrying value of HK\$179,000,000.

At 31 March 2003, all remaining investment properties of the Group were revalued by the independent valuers on an open market value basis at HK\$378,200,000. The net deficit arising on the revaluation, which has been directly charged to income statement, amounted to HK\$800,000.

Details of these are set out in note 14 to the financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group disposed of a piece of land in the People’s Republic of China (the “PRC”) with carrying value of approximately HK\$58,806,000. Details of this and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 15 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2003 are set out on page 88 of the annual report.

## SHARE CAPITAL AND SHARE OPTIONS

During the year, the convertible loan note of HK\$200,000,000 was converted into 200,000,000 ordinary shares of the Company. The shares were allotted at HK\$1.00 each at a premium of HK\$0.90 each.

Details of movements in the share capital and share options of the Company are set out in notes 28 and 29 respectively to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Zhang Yang (*Chairman*)

Liu Shunxin (*Honorary Chairman*)

Chan Wing Yuen, Hubert

Zhang Jiyei, Jack

Lam Cheung Shing, Richard

### Non-executive director:

Hui Ho Ming, Herbert

## **DIRECTORS (continued)**

### **Independent non-executive directors:**

Lee Peng Fei, Allen

Wu Wai Chung, Michael

Wong Hon Sum

Ha Ping

In accordance with the Company's Articles of Association, all directors retire and, being eligible, offer themselves for re-election.

Mr. Zhang Yang has entered into a service contract with the Company for an initial term of three years from 1 June 2000. Mr. Lam Cheung Shing, Richard has entered into a service contract with the Company for a fixed term of eighteen months from 1 September 2001. Both service contracts are renewable for successive terms of one year after the expiry of the term of the service contract, unless terminated by not less than six months' notice in writing for the service contract with Mr. Zhang Yang and three months' notice in writing for the service contract with Mr. Lam Cheung Shing, Richard by either party.

Mr. Hui Ho Ming, Herbert and Mr. Chan Wing Yuen, Hubert have entered into a service contract with the Company for a fixed term of three years from 8 March 2002.

Mr. Hui Ho Ming, Herbert had been redesignated as a non-executive director of the Company with effect from 7 August 2002 and a new service contract was entered into with an initial term of one year unless terminated by either party.

All independent non-executive directors have been appointed for a term of three years from 8 May 2000 except Mr. Lee Peng Fei, Allen and Mr. Wu Wai Chung, Michael who have been appointed for a term of one year from 1 March 2002 and 11 March 2002, respectively.

All expired service contracts of the independent non-executive directors will continue thereafter unless and until terminated by either party.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Directors	Number of ordinary shares held as	
	Corporate interest <i>(Note)</i>	Personal interest
Mr. Zhang Yang	1,612,025,000	–
Mr. Zhang Jiyei, Jack	–	5,000

*Note:* The ordinary shares were held through Wealth Land Development Corp., a company beneficially owned by Mr. Zhang Yang.

Save as disclosed in Directors’ Interests in Shares, Share Option Scheme and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, no director or chief executive held an interest in the share capital of the Company or its associated corporation as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

## SHARE OPTION SCHEME

During the year, there are two share option schemes. The share option scheme (the “Old Share Option Scheme”) which was adopted on 25 July 2000 was terminated and a new share option scheme (the “New Share Option Scheme”) was adopted and approved by the shareholders of the Company at the annual general meeting held on 2 September 2002.

Particulars of the two share option schemes adopted by the Company are set out in note 29 to the financial statements.

**SHARE OPTION SCHEME (continued)**

The following table discloses movements in the Company's Old Share Options Scheme during the year:

	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options		
				Balance at 1.4.2002	Cancelled during the year	Balance at 31.3.2003
<b>Directors</b>						
Zhang Yang	29.3.2001	0.161	1.4.2001 to (Note) 31.3.2005	109,000,000	–	109,000,000
Zhang Jiyei, Jack	29.3.2001	0.161	1.4.2001 to 31.3.2005	7,000,000	(7,000,000)	–
Lam Cheung Shing, Richard	2.8.2001	0.54	1.3.2002 to 31.8.2004	20,000,000	(20,000,000)	–
				136,000,000	(27,000,000)	109,000,000
<b>Employees</b>						
	29.3.2001	0.161	1.4.2001 to 31.3.2005	6,300,000	(6,300,000)	–
	29.3.2001	0.161	1.4.2001 to 31.3.2005	2,125,000	(2,125,000)	–
	11.6.2001	0.49	1.4.2002 to 31.3.2005	18,000,000	(18,000,000)	–
				26,425,000	(26,425,000)	–
Grand total				162,425,000	(53,425,000)	109,000,000

Note: No vesting period.

No options had been granted or exercised during the year. On 17 October 2002, Mr. Lam Cheung Shing, Richard, Mr. Zhang Jiyei, Jack and other employees voluntarily waived all their outstanding options.

## **CONVERTIBLE LOAN NOTES DUE 2006**

Convertible loan notes of HK\$40,600,000 were issued on 30 January 2003. Details of the convertible loan notes are set out in note 32 to the financial statements.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed in Director's Interests in Shares, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31 March 2003.

## **CONNECTED TRANSACTIONS**

During the year, the Company acquired the remaining interests of the following non-wholly owned subsidiaries from Mr. Wong Yu Chiu ("Mr. Wong"), a director of those subsidiaries:

- (a) Interchina Securities Limited ("Interchina Securities"), from 85% to 100% by acquiring 15,000,000 shares of Interchina Securities at approximately HK\$15,269,000.
- (b) Interchina Futures Limited ("Interchina Futures"), from 70% to 100% by acquiring 2,550,000 shares of Interchina Futures at approximately HK\$2,639,000.

The Group entered into an agreement during the year with a company wholly-owned by Mr. Zhang Yang, chairman of the Company to provide shares placement service to the company. The total services fee income was approximately amounting to HK\$1,437,000.

## **CONNECTED TRANSACTIONS (continued)**

The Group paid interest amounting to HK\$2,770,000 and HK\$700,000 during the year to a company wholly-owned by Mr. Zhang Yang and Mr. Wong respectively.

The Group had entered certain construction agreements (“Construction Agreements”) during the year with an associate, Interchina Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. The associate has been engaged in the establishment and operation of city development and environmental protection infrastructure construction. The total contract sum involved amounted to HK\$159,764,000. During the year, the construction cost related to the Construction Agreements that was incurred by the Group amounted to approximately HK\$18,491,000.

## **POST BALANCE SHEET EVENTS**

Details of significant events occurring after the balance sheet date are set out in note 44 to the financial statements.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The percentage of turnover attributable to the Group’s five largest customers to the total turnover during the year was 48.61%. The percentage of turnover attributable to the Group’s largest customer to the total turnover during the year was 33.79%.

The principal business of the Group is engaged in environmental protection and water treatment operation, city development and investment operation, property investment operation, securities and financial operation. There are no major suppliers in view of its nature of business.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company’s issued share capital) had an interest in any of the Group’s five largest customers.

## **CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31 March 2003 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Zhang Yang**

*Chairman*

Hong Kong, 18 July 2003