



Mr. Zhang Yang

CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of Interchina Holdings Company Limited ("the Company") and its subsidiaries (together as "the Group" or "Interchina") for the year ended 31 March 2004.

Three years of business restructuring has been completed, and we have successfully constructed a high quality business model with core businesses being established to a certain scale, focusing on the development of environmental protection and water treatment operations in a unique Chinese mode as well as urban development operations bonding with municipal investment. In recent years, China has been actively catching up with the world market. The opening up of the market has brought in tremendous

opportunities for all business sectors. The strong market and economic conditions in China have created a more favorable conditions for the enhancement and development of Interchina's core business strategies.

Environmental Protection and Water Treatment

The development of the environmental protection and water treatment industry in China is at its crucial stage: it is exposed to huge development opportunities, but at the same time difficult challenges. Despite the rapid development of environmental protection and water treatment industry in China, it has not been able to fully meet the needs arising from continual economic development. As a result, the environmental protection and water treatment industry is undergoing reforms in its mode of

management and operation. While the speed-up on the process of commercialization and diversification of competitions are inevitable results in the market, increase in the entry of multinational water treatment companies into China's environmental protection and water treatment market is the inevitable market trend. Hence, Interchina selects the environmental protection and water treatment as its core business, forming strategic alliance with top-tier water treatment experts successfully secured various construction projects for water supply and sewage treatment projects laying a solid foundation for future business development.

Urban Development

To fulfill the criteria of building well-off societies, urbanization is a foreseeable trend. The target of, building a well-off city is not just building a city of sizeable population, but also entails the quality of a city's infrastructure and public facilities. Besides, raising the standard of living and improving the quality of the environment are common goals. Hence, the success of urbanization hinges on whether it has a comprehensive supporting infrastructure. Applying its unique business model and through municipal investment, Interchina grasps the opportunities to increase its quality land reserve and operate its urban development business. Moreover, the "Interchina Mall" in Changsha City, invested and developed by Interchina, has established a new point of attraction of the city combining culture, tourism, housing

and business. The Group believes that the "Interchina Mall" will become the ideal model in the city development in China. Capitalizing on the power of the brand name "Interchina Mall", we will widely promote and replicate this model in other cities in China.

Conclusion

The Group will emphasize on the development of its core business. Through formation of strategic alliances, it hopes to optimize core business operation, which is expected to generate stable regular income and highly profitable returns, and in turn assist Interchina's achievement of its goal to become a world-class business corporation.

Finally, exploring Western China project will be the core of Interchina's enhancement of business strategies, boosting the growth of Interchina through integration and enhancement of premium properties in the region, creating vast business opportunities for Interchina's business development.

Acknowledgment

I would like to take this opportunity to extend my gratitude to all Board members and staff of the Group for their continuous efforts and support.

By order of the Board,
Zhang Yang
Chairman

Hong Kong, 23 July 2004