CHAIRMAN'S STATEMENT

FOREWORDS

I have pleasure to present to the Shareholders the Group's annual report for the year ended 31 March 2004.

During the year under review, the Group was able to overcome the market challenges, such as SARS, and achieved satisfactory operating results, which demonstrates our strengths in both construction business and property development and investment business, and our commitment to diversify our businesses to include the operation of fitness centers and trading of fitness equipment upon the acquisition of certain subsidiaries on 31 March 2004, and the distribution, supply and installation of piped natural gas upon the acquisition of certain associates after the year end on 30 April 2004, as detailed in note 31(a) and 35(1) to the financial statements respectively.

BUSINESS REVIEW

The Group's turnover for the year was HK\$538,118,000 which represented an increase of 1.67% as compared with the corresponding period of last year. The net profit attributable to shareholders amounted to HK\$23,394,000 representing an increase of 173.29% from last year. Earnings per share is HK0.51 cents.

The Group's major business segment comprises (i) construction contracting (including electrical and mechanical ("E&M") works); (ii) property development and investment; and (iii) operation of fitness centres and trading of fitness and medical equipment. During this year, the Group already completed projects such as main contractor for construction of a 6-storey commercial building including foundation, E&M & fitting out works in 12-14 Pak Sha Road, Causeway Bay, Hong Kong and main contractor for all construction works including structure, fitting out and E&M works of Gateway Plaza Phase III, Shanghai.

More to note, during the year, the Group sold certain units in Phase II and Phase III, Asian Villas, Haikou, Hainan Province and certain units in Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group.

PROSPECTS

After the completion of the Xin Hua Acquisition, the principal activities of the Group and its associates are (i) construction contracting (including E&M works); (ii) property development and investment; (iii) operation of fitness centers and trading of fitness and medical equipment; and (iv) distribution, supply and installation of piped natural gas.



Construction business (including E&M works)

The Group will uphold an on-going parallel development of its construction business (including E&M works) in both the People's Republic of China ("PRC") and Hong Kong. With its proven track records and adequate expertise in the main contracting business, the Group is now included in the List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the Government of the Hong Kong Special Administrative Region (the "HKSAR"). In May 2004, the Group was upgraded to Group II under the "Turn-key Interior Design and Fitting-out Works" under the List of Approved Suppliers of Materials and Specialist Contractors for Public Works, together with the 11 licenses held under the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR, the Group is in a position to take an active part in the construction business development (including E&M works).

During the year, new projects such as main contractor for construction of a 7-storey secondary school at Nam Fung Road, Aberdeen, Hong Kong, installation of Trunk Sewers and Effluent Export Pipeline in Ngong Ping Sewage Treatment Plant, Lantau Island, New Territories, fitting out (including installation of marbles) for 4th to 6th floors of Ongoing Department Store, several school improvement works and renovation works under Sogo Department Store. As at the date of this report, the Group had contracts on hand with a total contract sum of over HK\$800 million. The Directors fully believe that the positive signs that the Hong Kong economy is gradually improving and that the confidence built up in the Government of the HKSAR will have a double-functioning positive impact on the Group's construction business (including E&M works) in time to come.

Property development and investments

The development of high-class residential property development project, Park View, near the Botanical Gardens in Shanghai with a gross floor area of approximately 56,000 sq. metres was completed in the year. Certain units of the Park View project were sold at a total contractual sum of over RMB240 million. As Shanghai is now vigorously developing into a metropolis serving as an international financial, information and transportation center, this project has great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings. In addition, Southern Area of Asian Villas, Haikou, Hainan Province being under foundation construction, which will be developed into a residential, hotel and commercial complex with a total gross floor area of approximately 1,200,000 sq. ft., is expected to be completed by the end of 2005. The Directors are confident that these two projects will have a significant contribution to the turnover and profit of the Group in these few years. Together with the rental out of all units in 24, 27 and 28 floors of Zhongda Square, Shanghai, PRC, the Directors are convinced that the property investment segment will provide a stable recurring income to the Group.

The Directors are now looking for property development projects in PRC prime cities and may acquire additional land bank for property development purpose, however, the Group currently has no specific investment plan in relation to any particular project.

C H A I R M A N'S S T A T E M E N T

Noteworthy is the fact that Directors believe the opening of the Universal Studios in 2006 in Shanghai, PRC and the hosting of the World Expo in 2010 which will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

Operation of sport club, fitness and spa centers and related business

On 31 March 2004, the Group acquired additional 9% equity interest in Fitness Concept Limited and its subsidiaries ("Fitness Group"). Fitness Group is engaged in the operation of fitness centers and the trading of fitness equipment. The first fitness and spa centre for Fitness Group was established in Hua Hai Zhong Lu, Shanghai in October 2000. In these few years, five more fitness and spa centers were opened in various locations in PRC including Wuhan, Xian, Urumqi and Shenzhen. In May 2004, one of the biggest sport clubs in PRC was opened in Jinqaio, Shanghai, PRC. This sports club has a total gross floor area of approximately 11,000 square meters. The Group currently manages a total of seven sport clubs and fitness and spa centers and these centers currently have more than 12,000 valid members. As Beijing, PRC has won the right to host the 2008 Olympic Games, the Directors believe that such event will stimulate the publics' enthusiasm in fitness and sports exercise and this business segment will provide a favourable contribution to the Group in the future.

Natural gas business

Subsequent to the balance sheet date, the Group acquired certain interests in natural gas business to diversify the Group's operation. The PRC has historically relied heavily on coal as its primary energy source, but the PRC government in recent years has strongly encouraged the use of other more environmentally friendly forms of fuel such as natural gas to combat the pollution and environmental damage caused by coal combustion. The natural gas market now only contributed less than 10% of the total energy source supply in PRC and the Directors are of the view that this business segment has a high potential for future growth.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2004, the Group had total assets of HK\$568,107,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$261,855,000, HK\$9,926,000, HK\$278,765,000 and HK\$17,561,000, respectively.

The Group continued to maintain a low gearing ratio at 3% (31 March 2003: 1%). It was calculated based on the long term borrowings of HK\$9,926,000 (31 March 2003: HK\$3,981,000 (as restated)) and long term capital of HK\$306,252,000 (31 March 2003: HK\$279,670,000 (as restated)).

Most bank borrowings are prime rate based and the Group expects a favourable effect from the low interest rate environment. The bank borrowings and cash and bank balances were principally denominated in Hong Kong dollars and Renminbi. Hence, there is no significant exposure to foreign exchange rate fluctuations.

CAPITAL STRUCTURE

The Group's long-term capital mainly comprised of shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were denominated mainly in US dollar, Hong Kong dollar and Renminbi. Since Hong Kong dollar is linked to US dollar, and Renminbi is relatively stable, we consider the exchange risk is not significant.

CONTINGENT LIABILITIES

Details of the significant contingent liabilities of the Group are set out in note 32 to the financial statements.

EMPLOYEE SCHEMES

As at 31 March 2004, the Group had 355 employees, 201 of whom were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

CHARGES ON GROUP ASSETS

Details of the charges on assets of the Group are set out in note 25 to the financial statements.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice (the "Code") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.



CHAIRMAN'S STATEMENT

SUMMARY

The Group's on going parallel development of its construction business in both PRC and Hong Kong and the significant achievement in the property investment business in PRC, were confirmed by the satisfactory operating results in current year. In the future, the Group will further strengthen the development of its core business in construction business and property development and investment business, together with the launch of operation of fitness centers and trading of fitness equipment upon the acquisition of subsidiaries on 31 March 2004, and the distribution, supply and installation of piped natural gas upon the acquisition of associates on 30 April 2004. On the other hand, the Group will keep on seeking new opportunities and corporate development so as to enhance the profitability of the Group.

ACKNOWLEDGEMENTS

On behalf of the directors, I would like to express my gratitude to our Shareholders, business partners and customers for their continued support, I would also like to thank my colleagues for their hard work and continuous commitment over the past few years, their work has contributed significantly to our favorable results. We will carry on dedicating our efforts towards the Group's long-term development.

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong 15 July 2004