

CHAIRMAN'S STATEMENT**FINANCIAL REVIEW**

The Group's turnover for the year decreased to approximately HK\$184 million (2003: HK\$261 million), representing a decrease of 29.5% compared to the previous year. Loss attributable to the shareholders amounted to approximately HK\$67 million (2003: HK\$220 million), representing a decrease of 69.5% as compared with last year. Loss per share was HK\$1.77 cents.

BUSINESS REVIEW

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and renovation services and operation of toll highway.

Whilst the local economy and business operating environments have gradually improved since the second half of 2003, the year under review as a whole has nevertheless been a very difficult one for local enterprises. In addition to the adverse impact on the global economy as a result of the war against Iraq, the devastating effects on the local economy caused by the outbreak of SARS were more than apparent. The SARS outbreak during the first quarter of the fiscal year was the worst period when the benchmark of Hang Seng Index has bottomed to its 54-month low at 8,409 in April 2003. But after the containment of the virus in June 2003, aided by various policies announced by the PRC officials to boost the local recovery, Hong Kong economy rapidly experienced a V-shape rebound.

Compared with last year, the turnover generated from the securities trading and investment decreased to approximately HK\$123 million and as at 31st March, 2004, an amount of approximately HK\$60.7 million had been provided as impairment of investments in securities.

During the year under review, the Group disposed of the properties at No. 4 Henderson Road, Jardine's Lookout, Hong Kong and Huizhou, in the Peoples' Republic of China (the "PRC") and the sale of these assets generated profit of approximately HK\$104 million. As a result of the disposals, rental income from the Group's investment properties decreased to HK\$2 million (2003: HK\$4 million). Although the disposal of the property at Henderson Road would reduce the rental income of the Group, in view of the recent improving sentiment of the local property market, the Board consider that the disposals provide the Group with an optimal opportunity to realize the investment in property and the Board is of the opinion that the disposal can reduce the gearing ratio of the Group, thus strengthening the Group's financial position. The disposal of the investment property situated at Henderson Road was completed in October 2003 and details of such disposal was disclosed in the Company's announcement dated 17th November, 2003.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW *(Continued)*

Although there are signs of recovery of the Hong Kong economy in the second half of last year, the construction industry is yet to benefit from this recovery. Pressure of the Hong Kong Government to reduce its budget deficit by cutting expenditure and that both private and public development activities remained at low level has intensified competition. These resulted in substantially less new business opportunities available to the building construction industry and in turn the trading of building materials and renovation services. The turnover from this segment was of approximately HK\$18 million, representing a decrease of turnover of approximately HK\$18 million as compared with last year. The Board believes not only that increasing productivity through application of innovative building methods and information technologies, stringent quality control, efficient safety and environmental management will achieve cost control objectives. These measures will also enable the Group to capture other potential business opportunities when the business environment improves.

During the year under review, the Group recorded an approximately amount of HK\$18 million turnover from the property developments and sales in Shanghai, PRC. Though the oversupply problem still persisted in the property market in the PRC, the Group still managed to increase its turnover by 64.5% as compared with preceding year. The Group, through its subsidiary, Shanghai Hualong Construction Co. Ltd. owns several property development projects in Shanghai, the PRC.

In December 2002 the Group had completed the acquisition of 51% interests in Gold United International Industrial Limited ("Gold United") which holds 80% equity interests in 杭州恆運交通開發有限公司 ("杭州恆運"). The primary business of "杭州恆運" is to operate a 15.556 kilometres in length Class 1 highway from the northern end of Fuchunjiang No. 1 Bridge, Fuyang to its junction with Yuanpu Road of Xi Hu District, Hangzhou (the "Toll Road"), Zhejiang Province, the PRC. The Toll Road is a 2002 completed Class 1 dual two-lane highway with a six-lane toll station set at the junction between Hangzhou and Fuyang. The Toll Road forms a section of the Hang Fu Along the River Highway 杭富沿江公路. During the year under review, the Group recorded annual toll revenue of approximately HK\$23 million, an increase of 295% as compared to last year. The outbreak of SARS slowed down the highway traffic in the second and third quarter in the current fiscal year as Hangzhou is one of the city affected by SARS.

MATERIAL ACQUISITIONS

On 17th December, 2003, Rich Lion Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement with independent third parties to acquire the entire interests in Rich Linker Limited at a total consideration of HK\$53 million. Rich Linker Limited is a company incorporated in Hong Kong and is engaged in property holding and investment in the PRC. Details of the acquisition are set out in the Company's announcement and circular dated 18th December, 2003 and 8th January, 2004 respectively.

CHAIRMAN'S STATEMENT**MATERIAL ACQUISITIONS** *(Continued)*

On 24th March, 2004, Grand Fix Limited, a wholly owned subsidiary of the Company, entered into an agreement with independent third parties for the acquisition of the entire issued share capital of Chinese Gain and the shareholders loan of approximately HK\$102 million for a consideration of HK\$105 million. Chinese Gain is a company incorporated in Hong Kong and is engaged in property holding and investment in the PRC.

The Board considers that such acquisitions will give the Group the opportunity to better develop its business in the property market in Beijing and broaden the Group's presence in the PRC and that will contribute positively to the future growth of the Group.

The above-mentioned material acquisitions are not yet completed.

FUTURE OUTLOOK

Although Hong Kong economy has started to improve in the third quarter of 2003, the business environment in the construction industry has remained difficult. Due to the reduction in Government spending to ease the budget deficit, a complete revival of the construction industry is not expected in the near future and the Group's outlook has also been affected. However, the Board will continue its efforts in cost control and productivity enhancement to maintain the Group's competitive advantages on pricing and technology. The above measures are expected to increase the Group's competitiveness in tendering of building and maintenance contracts and will sustain the Group's profitability.

Since 2002, the Board strongly believed China's economic growth would be the fastest in the world and with plenty of business opportunities. The economic development in recent years in China has confirmed this belief. With the improving economic and business environment, the Group will rest upon our solid foundation to further expand its business developments with more aggressive pace and controllable risk.

In the area of new investments, the Board will continue to vigorously explore into investment opportunities for its organic growth. With signs of the current global economic recovery, it is optimistic that the Group will leverage its sound financial positions to capitalize on suitable investments with steady stream of income in the year to come.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2004, the Group had cash at bank and in hand totaled approximately HK\$66 million (2003: HK\$94 million) including pledged bank deposits of HK\$5 million (2003: HK\$6 million) and net asset value of approximately HK\$291 million (2003: HK\$321 million).

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Interest-bearing bank loans and other borrowings at 31st March, 2004 amounted to HK\$171 million (2003: HK\$299 million), of which HK\$144 million (2003: HK\$272 million) were repayable within one year. The gearing ratio, being the ratio of total bank loans and other borrowings of approximately HK\$171 million to shareholders' fund of approximately HK\$291 million, was about 0.59 (2003: 0.93).

During the year under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars, Renminbi and US dollars. In view of stable exchange rates of between these currencies, the foreign currency exchange risk of the Group is not significant. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial effect is material to the Group.

CONTINGENT LIABILITIES

As at 31st March, 2004, the Company had contingent liabilities in respect of corporate guarantees given to banks and a securities broker in connection with the credit facilities utilized by the subsidiaries amounting to approximately HK\$8 million (2003: HK\$53 million).

CAPITAL STRUCTURE

As at 31st March, 2004, the Group's Shareholders' funds amounted to approximately HK\$291 million (2003: HK\$321 million).

On 20th February, 2004, a placing agreement was entered into between the Company and certain independent professional investors under which the investors subscribed for 740,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.05 per share, representing a discount of 1.96% to the closing price of the Company's share as quoted on the Stock Exchange on 20th February, 2004. The net proceeds of approximately HK\$36 million would be used for general working capital of the Group.

STAFF

As at 31st March, 2004, the Group employed 159 employees (2003: 140). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

CHAIRMAN'S STATEMENT

ANNUAL GENERAL MEETING

The 2004 Annual General Meeting of the Company ("2004 AGM") will be held on Friday, 3rd September, 2004. The notice of the 2004 AGM together with the 2004 Annual Report will be despatched to shareholders of the Company shortly.

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Board resolved to propose certain amendments to the Bye-laws of the Company in compliance with the new requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which became effective on 31st March, 2004. Details of the proposed amendments will be set out in the Notice of the 2004 AGM.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the financial year ended 31st March, 2004 save that the independent non-executive directors are not appointed on specific term as required by paragraph 7 of the Code but subject to retirement by rotation in accordance with the Company's bye-law.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control. The audit committee, comprising of the two independent non-executive directors of the Company, has reviewed the annual results.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31st March, 2004.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to our passengers, business partners and associates, and shareholders for their continuous support. Last but not least, I would also like to thank the staff and management for their concerted efforts in helping the Group further develop.

On behalf of the Board
Dong Bo, Frederic
Chairman

Hong Kong, 27th July, 2004