

Dear shareholders,

The board of directors (the "Board") of the Company announces that the Group's audited turnover and share of turnover of jointly controlled entities for the year ended 31st December, 2004 was HK\$872 million (2003: HK\$1,334 million) generating an audited consolidated profit after taxation for the year of HK\$609 million (2003: HK\$125 million restated).

At the forthcoming Annual General Meeting to be held on 13th May, 2005, the Board will recommend the payment of a final dividend of HK6 cents (2003: HK5 cents and a special dividend of HK15 cents) per share.

BUSINESS REVIEW

Highway and Expressway

Road King Infrastructure Limited ("Road King"), an associate of the Group, contributed profit of HK\$168 million to the Group for the year ended 31st December, 2004 (2003: HK\$104 million restated). The contribution for the year was stated after taking into account the income released from negative goodwill arising from acquisition of additional interest in Road King and loss on deemed disposal of partial interest in Road King resulting from the exercise of share options by employees of Road King. As of the date of this report, the Group owns 46.67% of Road King.

Road King recorded an audited profit after taxation of HK\$369 million for the year ended 31st December, 2004 (2003: HK\$323 million restated), an increase of 14% as compared with that of year 2003. The increase was mainly due to the surge in traffic volume.

Following its long-term development strategy, Road King has been conducting synergistic studies on some of its existing projects. In January 2005, Road King disposed of its interest in Changzhou-Caoqiao highway project in Jiangsu Province. The disposal was expected to be completed in the first half of 2005.

In 2004, Road King reached an agreement to acquire 45% equity interest in Tangshan-Tianjin Expressway in Hebei Province. The project has started contributing profit to Road King in February 2005.

During 2004, Road King also signed a preliminary conditional agreement to construct, operate and manage the Hefei-Yeji Expressway in Anhui Province. Road King was now in the process of preparing the detailed co-operative terms and conditions of the contract. The conclusion of this project would be subject to reaching agreement with the PRC party on all the details of the co-operation.



Zen Wei Pao, William
Chairman



Highway



BUSINESS REVIEW *(Continued)*

Highway and Expressway *(Continued)*

After extensive explorations and preparations, Road King commenced its China property development business in Guangzhou. One of the property projects was now under development. At the same time, Road King successfully secured the land use rights of three pieces of land located in Wujin District, Changzhou, Jiangsu Province through public auctions. It is expected that the property development business will start contributing profit to Road King in 2006.

On the financial front, Road King arranged a US dollar denominated revolving and term facility of US\$120 million in April 2004. In July 2004, Road King redeemed its US dollar denominated guaranteed notes due in 2007, with coupon rate of 9.50% per annum. At the same time, Road King successfully issued a 7-year US dollar denominated guaranteed notes of US\$200 million, with coupon rate of 6.25% per annum. As at 31st December, 2004, Road King had cash and bank deposits of HK\$1.57 billion.

Civil Construction

In April 2004, the Group took over I-China Holdings Limited ("I-China") as the single largest shareholder and all construction activities of the Group were injected into I-China, which subsequently changed name to Build King Holdings Limited ("Build King"). As of the date of this report, the Group owns 54.06% effective interest in Build King.

Build King contributed profit from operations of HK\$79 million (2003: HK\$63 million) and contributed a net profit of HK\$34 million (2003: HK\$40 million) to the Group for the year ended 31st December, 2004.

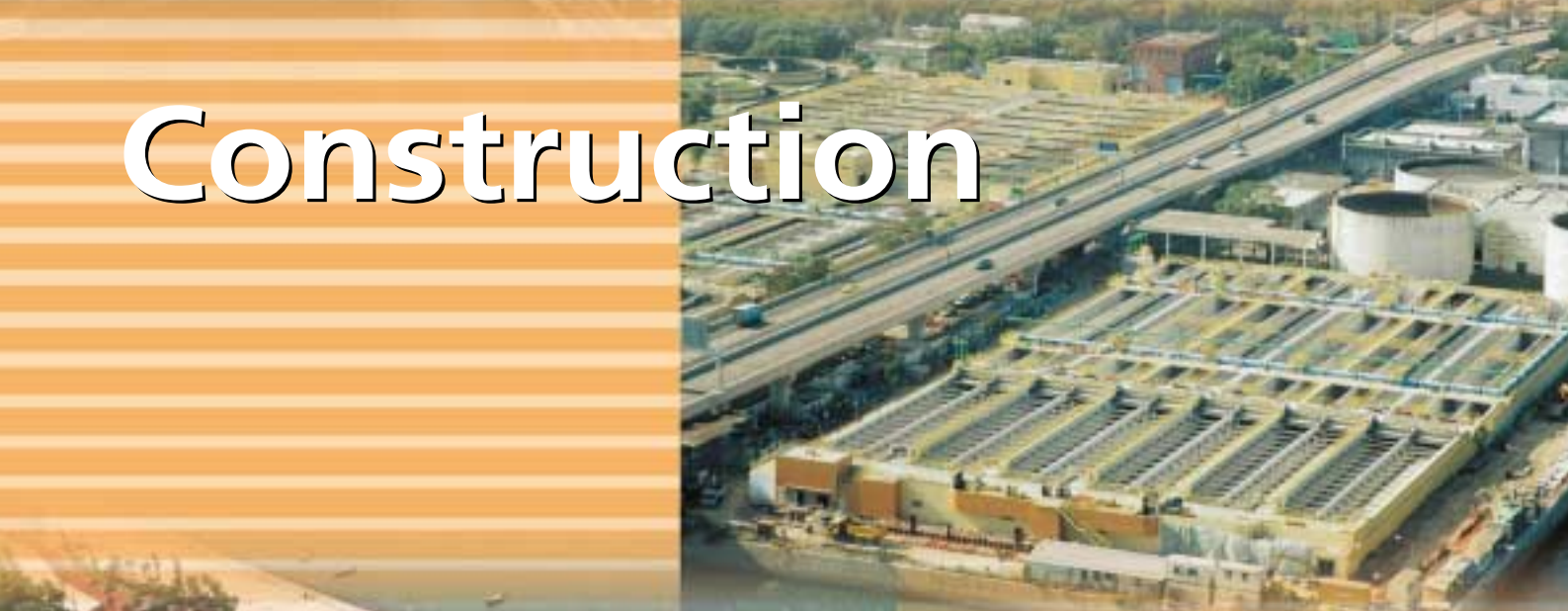
The turnover and share of turnover of jointly controlled entities of Build King for the year ended 31st December, 2004 was HK\$741 million (2003: HK\$1,207 million) and it registered an impressive net profit margin of 7%. However, this phenomenal result might be distorted by the accounting policies we are required to adopt, in particular:

- (a) Turnover from our associated companies cannot be treated as the Group's turnover;
- (b) The profit on a project is not taken into account until 25% of the forecast value of that project has been completed; and
- (c) Changes initiated by clients during the course of any contract is a norm, rendering accurate forecasting of total revenue from any individual project very difficult until the final account value has been agreed. Typically this can take more than a year, and in the extreme cases, three to four years after physical completion.

Thus a real measure of the performance would be the 3 to 5 years average rather than a single year.



Construction



BUSINESS REVIEW *(Continued)*

Civil Construction *(Continued)*

It is unrealistic to expect Build King's performance in 2004 can be repeated year in and year out; however, given the current contracts we are undertaking, Build King is confident that year 2005 will prove satisfactory to its shareholders when measured on return on equity basis. The longer term prospect will depend on the level of success Build King achieves in its strategy in diversifying both geographically (expand into new areas like Mainland China, Middle East and Macau) as well as into investment in environmental infrastructures projects in China.

In the longer term, Build King is convinced that there is always a need for good quality construction services here as well as overseas. The road ahead may be lumpy, but temporary volatility should not concern to those with a long-term business view.

As of the date of this report, Build King had contracts on hand of about HK\$7,905 million of which about HK\$961 million has yet to be completed.

Quarrying

The turnover of quarrying division for the year ended 31st December, 2004 was HK\$120 million (2003: HK\$128 million). The quarrying division recorded loss from operations of HK\$37 million for the year (2003: profit from operations of HK\$9 million) due to a special provision of HK\$34 million on loans receivable in relation to Niu Tou Quarry. This provision is not expected to recur in future.

The total tonnage of quarry materials which we sold in 2004 was 1.8 million tonnes, a drop of 10% compared with 2003's figure. This is a direct result of reduced construction activities and a shortage of marine work in Hong Kong.

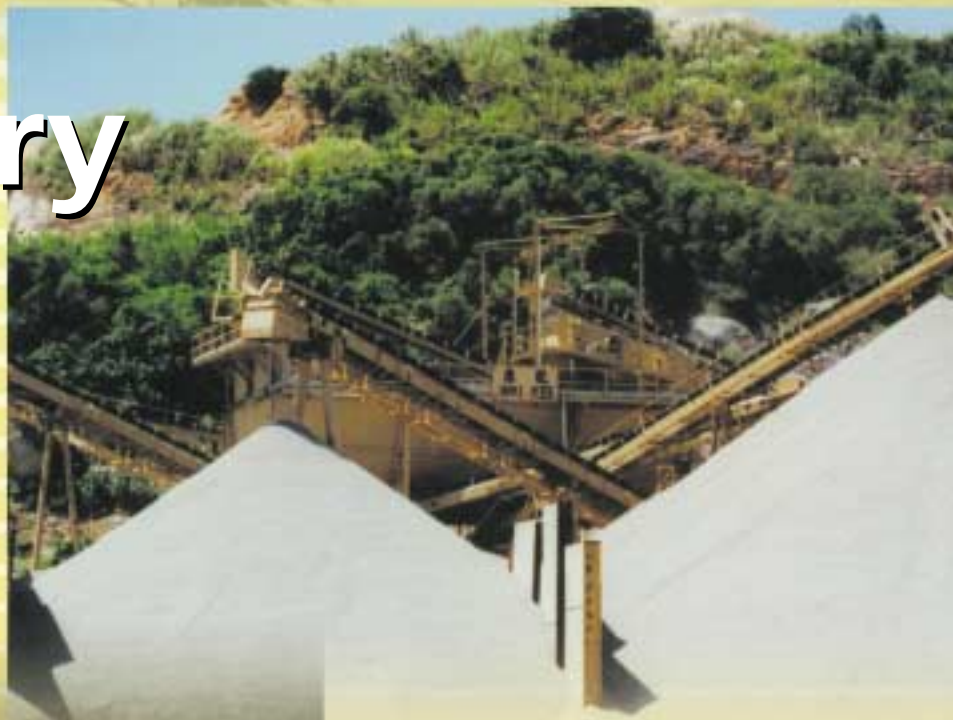
Due to the reduced demand in 2004 and most likely extended into next few years, substantial downsizing was carried out during the past 12 months. Therefore, even with the reduced order, it is expected that the quarrying division should be able to make a little bit of money. However, the amount of which might be insignificant when compared with the Group's overall results.

Due to limited opportunities in Hong Kong, management has been exploring quarrying business both in China and Dubai. However, in view of the fact that quarrying is a heavily capital intensive business, we will be prudent in making any new investment decision. If the Group is unable to have any new project with a return on equity in the double-digit range with high chance of success, it will be better that the money be returned to shareholders so it can be put into better use.

There is a likelihood that our long-term supply contract with one of our major clients be expired by end of 2005. The management is taking active measures to minimize the impact of this event.



Quarry



BUSINESS REVIEW *(Continued)*

Bio-technology

The turnover of bio-technology division for the year ended 31st December, 2004 was HK\$11 million (2003: HK\$2 million). The division recorded a loss of HK\$13 million for the year (2003: HK\$5 million).

The loss for the year comprised loss from sales and marketing of bio-pesticide products of HK\$5.5 million, research and development expenses of HK\$5.5 million and Hong Kong office overheads of HK\$2 million directly related to the division. The management forecasts a breakeven situation for sales and marketing activities in 2005, the third operational year of this division.

On the production side, a factory with a fermentation capacity of 150 cubic metres producing bio-pesticides will be put into production in the second quarter of 2005. To further enrich the product range, the Group has also started producing fertilizers and micro-organism formulation for fisheries for sales in the domestic market. With these in place, it is expected that the division will gain a firm foothold in the market, paving the way for future expansion.

Property Development Project

In February 2004, the Group disposed of its interest in the property development project in Hung Hom Bay (the "Development Project") to an independent third party for an aggregate consideration of HK\$597 million, generating a one-off profit of HK\$475 million for the year ended 31st December, 2004 after nurturing and maintaining the Development Project for nearly five years.

Given this kind of exceptional profit is not expected to appear again in the near future, the readers are strongly advised to exercise caution when interpreting the results of the Group for the year ended 31st December, 2004.



Bio-Technology



FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings were significantly reduced by HK\$128 million to HK\$56 million with the maturity profile summarised as follows:

	As at 31st December,	
	2004	2003
	HK\$'million	HK\$'million
Within one year	21	104
In the second year	12	40
In the third to fifth year inclusive	23	40
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	56	184

With the cash generated from the disposal of the interest in the Development Project, the Group repaid in full the three years term secured bank loan of HK\$100 million, of which HK\$80 million was due after one year as at 31st December, 2003. During the year, the Group also managed to reduce the outstanding balances of other bank loans and overdraft by HK\$18 million and repaid an amount of HK\$10 million due to a related company.

As at 31st December, 2004, the Group's cash and bank balances amounted to HK\$167 million, of which HK\$19 million bank deposits were pledged to secure bond and banking facilities granted to the Group and jointly controlled entities.

As a result of significant reduction of borrowings during the year, the Group recorded finance expenses for the year ended 31st December, 2004 of only HK\$1.5 million (2003: HK\$16 million).

With an objective to enhance the return on surplus cash on hand, the Group had invested for the short term in a portfolio of investments. As at 31st December, 2004, these investments were stated at their fair values in a total amount of HK\$100 million (2003: HK\$14 million), of which HK\$61 million (2003: HK\$1 million) were investments in listed securities.

The Group's borrowings, short term investments and cash balances were principally denominated in Hong Kong dollars, US dollars and Renminbi. Hence, there is no significant exposure to foreign exchange rate fluctuations. During the year, the Group had no borrowing at fixed interest rate and had no financial instrument for hedging purpose.

FINANCIAL REVIEW *(Continued)*

Capital Structure and Gearing Ratio

As at 31st December, 2004, the shareholders' funds amounted to HK\$2,472 million, representing HK\$3.12 per share (2003: HK\$2,069 million restated, representing HK\$2.64 per share). Increase in shareholders' funds was mainly attributable to the profit generated in the year less payments of cash dividends and special distribution of Build King shares to shareholders during the year.

The net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to shareholders' funds, was reduced from 3.6% to a negative figure during the year, as the Group's borrowings (HK\$56 million) were significantly lower than the Group's cash and bank balances (HK\$167 million) at the balance sheet date.

Pledge of Assets

As at 31st December, 2004, apart from the bank deposits pledged to secure bond and banking facilities granted to the Group and jointly controlled entities, no other asset of the Group was pledged. During the year, a total of 226.5 million shares in Road King pledged to secure facilities granted were discharged and released back to the Group.

Contingent Liabilities

The Group had contingent liabilities amounting to HK\$189 million as at 31st December, 2004 (HK\$1,623 million as at 31st December, 2003) related to banking facilities granted to an associate as well as tender, performance and retention bonds issued to clients in respect of outstanding construction contracts. The substantial decrease in contingent liabilities was mainly due to release of guarantees of HK\$1,108 million given by the Company for a banking facility and performance bonds in respect of the Group's interests in the Development Project. In addition, a guarantee for a banking facility to an associate and other guarantees/indemnities in respect of tender, performance and retention bonds for construction contracts given by the Company were released during the year.

FUTURE OUTLOOK

Given their long term prospects, the Group will maintain its position as the major shareholder of both Road King and Build King. The Group is in a cash surplus position and is free to make investments whenever appropriate opportunities arise. Nevertheless, management will still maintain a cautious approach in selecting appropriate investment targets within the Group's core and related businesses.

APPRECIATION

With our committed and diligent staff, the Board is optimistic on the Group's performance and future. The Board would like to take this opportunity to extend its heartiest thanks to the entire loyal and dedicated staff.

Zen Wei Pao, William
Chairman

1st April, 2005