FINANCIAL RESULTS

The Group's consolidated turnover for the period amounted to HK$211 million. Although business in Mainland China was adversely affected by the macro-economic austerity measures, turnover recorded in the period increased by HK$36 million under the Group's prudent business development approach in expanding and diversifying its business operation.

During the period the Company continued to implement measures of asset restructuring and business operation enhancement. With the support of ultimate controlling shareholder Chengtong Holdings, the Company disposed its effective interest and related debt in a property development complex in Guangdong Province ("Guangdong project") and acquired a 70% interest of a residential development project located in Beijing. After providing a legal claim provision on an investment property located in Guangdong and an impairment loss on property plant and equipment in respect to a strategic investment project, the Group managed to record a HK$104 million net profit attributable to shareholders for the period (12 months year ended 31 March 2004: HK$44 million). Earnings per share was HK$0.062 for the period.

REVIEW OF OPERATIONS

Property Investment

The Beijing residential development project acquired during the period is located at a prime location near the city center. The project will offer about 290 residential units with a gross floor area of approximately 38,000 sq.m. available for sale. Sales permit was granted during the period and the project received positive response from pre-sale program and is expected to be completed by the end of 2005. The project was the first logistics property development business injected by Chengtong Holdings into the Group since becoming the Group's ultimate controlling shareholder and is significant to the Group's property development business.

The Group disposed all of its interest in Guangdong project during the periods since the construction of the project has been suspended since 1998 with limited development potential and required an intensive capital and resource to re-activate development. Disposing the project can best protect the Group's financial interest and further improve the Company's financial resources.

Benefited from the blooming real estate market in Mainland China, the Group's indirect investment interest in a Grade A office building located in Shanghai achieved an outstanding performance with an occupancy rate of more than 90%. Total gross rental income during the period increased 34% compared to the corresponding period in 2003 and delivered a healthy cashflow to the Group.

A property held by the Group's subsidiary in Mainland China has been involved in a legal dispute with its management company and developer in relation to its title, therefore it was not able to lease out and produce rental return to the Group. The Group has appointed its PRC legal advisor to handle relevant legal dispute. Due to the complicated legal processes in the Mainland China and the usual prudent and conservative accounting practice adopted by the Group, an appropriate provision has been made for such legal dispute.

Strategic Investment

During the period the demand for cement in the Suzhou region slowed down as a result of a slowing fixed investment rate in the PRC under the macro-economic austerity measures implemented by the PRC government. The Company's subsidiary, Suzhou Nanda Cement Company Limited ("Suzhou Nanda") suffered from adverse impact of decrease in both demand and price of cement, as well as the continuous increase in raw material and shortage of energy supply. Based on the unaudited accounts for the nine months ended 31 December 2004, Suzhou Nanda recorded a turnover of HK$81.5 million and slight operating loss. In an attempt to overcome the unfavorable business environment, management of Suzhou Nanda has implemented a technical enhancement program last year aiming to transform Suzhou Nanda into a customer driven cement supply service provider from traditional cement manufacturer. The program was completed in fourth quarter of 2004. Annual production capacity increased by 50% after completion of this technical enhancement program. Despite foreseeing unfavorable operating environment in the short run, management of Suzhou Nanda will try to restore Suzhou Nanda into profitability in 2005 by means of strict production cost control, improvement on customer service and expanding the distribution channel.

Trading Business

Trading business recorded a turnover of HK$129 million with a positive operating profit contribution during the period. Taking into account of the volatile price movement of commodities both in the Mainland China and international markets, the Group will prioritize risk management and continue to focus on trading of metal commodities and chemical products where Chengtong Holdings has strong operation expertise.

Financial Position

During the period financial position of the Company continued to improve as a result of the Group's stringent financial management and the effort in disposal of non-core assets. The Group's net current assets and liquidity improved substantially. As at 31 December 2004, the Group had net current assets of HK$100 million (31 March 2004: net current liabilities HK$83 million) and cash and bank balances of HK$86 million. The Group will continue to employ conservative and sound financial planning, ensuring a solid financial position to support future growth of the Company.

PROSPECTS

In the last six months, the Group has conducted assessment and justification on Chengtong Holdings' quality logistics and related business while actively exploring suitable logistics and logistics property development projects in Hong Kong and the Mainland China. Under this foundation, The Group in 2005 will continue to dispose non-core asset to centralize resources to develop core-business. Meanwhile, the Group will confirm on a more defined business model and re-organization plan that fit into Chengtong Holdings' industry development strategy by injecting quality business as well as acquiring related business project in the market. The Group strongly believed asset structure will be further enhanced while achieving sustaining growth

PLEDGE OF ASSETS

As at 31 December 2004, the Group's plant and machinery with aggregate carrying value of approximately HK$14 million and property under development with net book value of HK$34 million have been pledged as securities for the Group's borrowing and banking facilities.

CONTINGENT LIABILITY

As at 31 December 2004, the Group's estimated maximum contingent liability in respect of a legal claim was HK$0.3 million.

GEARING RATIO

As at 31 December 2004, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK$140 million and total assets of approximately HK$630 million was 0.22.

LIQUIDITY AND CAPITAL RESOURCES

At 31 December 2004, the Group had current assets and current liabilities of HK$290 million and HK$190 million respectively (31 March 2004: HK$65 million and HK$150 million respectively). The Group had cash and bank balances amounting to HK$86 million as at 31 December 2004 (31 March 2004: HK$29 million).

At 31 December 2004, the Group had in aggregate HK$111 million (31 March 2004: HK$21 million) bank borrowings secured on certain properties owned by the Group. The Group had unsecured other loans of HK$7 million (31 March 2004: HK$71 million). The bank loans together with other loans of approximately HK$4 million are carrying interest at commercial rates while the remaining other loans are unsecured and interest free. The maturity profile of bank borrowings were HK$17 million (31 March 2004: HK$21 million) falling within one year and HK$94 million (31 March 2004: nil) falling between two to five years as at 31 December 2004.

The Company has not issued any additional share during the period ended 31 December 2004. During the year ended 31 March 2004, the Group issued 2,700,000 shares of HK$0.10 each at the subscription price of HK$0.1491 upon exercise of the options granted pursuant to the Company's share option scheme adopted on 22 September 1998.

TREASURY POLICY

The business activities of the Group were funded by bank borrowings, secured loans and cash generated from operating activities. The Group considers that fluctuations in exchange rates and market prices do not impose a significant risk to the Group since the level of foreign currency exposure is relatively immaterial as compared with its total assets value or outstanding debts.

HUMAN RESOURCES

At 31 December 2004, the Group employed a total of about 511 employees, of which 12 were based in Hong Kong and 499 in the PRC. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

AUDIT COMMITTEE

Written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and in compliance with the code provisions stipulated in the then effective Appendix 14 of the Listing Rules.

The Company's Audit Committee was established 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, namely, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, and Mr. Lao Youan.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the Directors, the Company complied with the Code of Best Practice as set out in the then effective Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the financial period covered by the annual report, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's articles of association.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as defined in the Listing Rules. The Company, having made specific enquiry, confirms that all Directors of the Company complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

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

During the period ended 31 December 2004, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.