

CHAIRMAN'S MESSAGE

The management is committed to creating new growth centres in pursuit of expanding the Group's revenue base. 2004 was a turning point in its business development. During the year, the Group distinguished the investment in coke business as its core business and identified several suitable investment targets in Shanxi, a major energy producer in China. In 2004, the Group signed a letter of intent with Gu Jiao Yi Yi Mei Jiao Company Limited ("Gu Jiao"), a coke enterprise in Shanxi. Subsequent to the end of 2004, the Group acquired a controlling interest in another coke enterprise in the province, Shanxi Changxing Yuci Coking Co., Ltd. ("Changxing Yuci").

The Group's intended acquisition of a 51% interest in Gu Jiao is still under negotiation and subject to investigation. The process turns out to be lengthier than originally expected and the Group is still making its best endeavour to complete the deal.

In February 2005, the Group announced that it had signed an agreement relating to the acquisition of a controlling interest of 51% in Changxing Yuci for a consideration of RMB64,260,000. The coal processing factory of Changxing Yuci, which complies with the national and international industrial standards, has an installed annual processing capacity of 600,000 tonnes. So far, the factory has reached a processing capacity of 300,000 tonnes and is expected to be running at its full capacity in the second half of the year.

To support its development strategy and business expansion, the Group issued a total of US\$10,000,000 redeemable convertible bonds ("Bonds") to Asset Managers (China) Fund Co., Ltd. ("Asset Managers Fund"), a Japanese fund house. Up to date, it has already exercised the conversion rights to the extent of US\$8,000,000 of the principal of the Bonds. This indicates the high level of confidence of the fund house in the Group's coke business in the PRC.

In respect of the Group's operating results, the development potential of the newly acquired coke businesses were not reflected in the results of 2004. Still, the Group took further efforts to consolidate its existing businesses and achieved success in repositioning its freight forwarding business, which already started to resume its vitality. As for the biomedical business, after a series of acquisitions and a capital restructuring exercise, Nanjing E-Life, in which the Group is interested, successfully developed a platform to develop various biomedical products, laying a solid foundation for its business development. During the year, the Group's liquidity was further enhanced due to the issuance of the said convertible funds. As a result, the Group managed to maintain its assets and liability structure, as well as its overall financial position, in a healthy state.

Looking ahead, the Group will take further steps to improve its corporate governance and transparency, as it strives to enhance its operating efficiency and returns on assets employed. In particular, it will seek to optimise the utilisation of its management, human and capital resources in order to deliver a reasonable return to investors by maximising the shareholder value.

Lastly, the Group will continue to pursue business expansion in a prudent manner. We would like to take this opportunity to express our gratitude for our business partners, customers, agencies, transportation partners, employees and shareholders for their ongoing support.

Wang Jian Hua

Chairman

Hong Kong, 26th April, 2005

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