

The Group's turnover for the year ended 31 March 2005 was HK\$3.92 million. Compared with last year, there was an increase by an amount of HK\$3.11 million. Increase of interest income was the main factor that caused the increase of turnover. Interest income attributed to over 50% of the total turnover of the Group for the year. Rental income increased from HK\$0.33 million in the year 2004 to HK\$0.85 million in the year 2005. Rental income will continue to provide a steady cashflow to the Group. The improvement of the market performance during the year brought a net realized and unrealized gain on trading securities of HK\$4.46 million to the Group as compared to a net realized and unrealized loss of HK\$16.26 million for the preceding year. However, the market direction is still affected by many factors such as fluctuation of oil price, trade dispute between China and the western countries and speculation of further appreciation of RMB. The administration expenses of the Group amounted to HK\$12.06 million which included the expenses for several fund raising activities conducted by the Company and the acquisition of 25% interest of Shijiazhuang Shuanghuan Automobile Co. Limited. 石家莊雙環汽車有限公司 ("Shuanghuan") during the year. As the Group completed the acquisition of Shuanghuan at the end of January 2005, the Group shared 25% of the results of Shuanghuan for the period from 1 February 2005 to 31 March 2005 which amounted to HK\$2.48 million. Overall, the net loss for the year ended 31 March 2005 was HK\$10.09 million as compared to a net loss of HK\$60.53 million of the preceding year.

As at 31 March 2005, the Group had bank balance and cash of HK\$214.43 million and total investment in securities of HK\$140.05 million. During the year, the Group issued unsecured convertible notes on 31 January 2005 and 31 March 2005 with principal amount of HK\$49,950,000 and HK\$60,000,000 respectively. They bear 3% interest rate per annum and mature on the third anniversary of date of issue. Details of the issue of such convertible notes were disclosed in the Company's announcements dated 18 November 2004 and 4 February 2005 and circulars dated 31 December 2004 and 21 February 2005 respectively. As at the balance sheet date of 2005, the carrying value of the convertible notes was HK\$107.65 million. Save for the abovementioned convertible notes, the Group had no borrowing and loan from banks or financial institutions as at 31 March 2005. The gearing ratio as at 31 March 2005 was 32% based on the carrying value of the convertible notes in the amount of HK\$107.65 million and the shareholders' fund in the amount of HK\$335.92 million. The Company had given a guarantee of HK\$50 million to a financial institution for credit facilities granted to a subsidiary. No facilities were utilized at 31 March 2005. The facilities expired on 30 May 2005 and the guarantee was then released accordingly.

During the year, in addition to the issued of convertible notes for fund raising, the Company also raised fund through placing of new shares. On 7 January 2005, the Company entered into a subscription agreement with Kaison Limited and Everfull International Limited to issued 1,669,624,000 and 767,850,000 new shares of HK\$0.01 each in the capital of the Company at a price of HK\$0.04 per share to Kaison Limited, a substantial shareholder of the Company (the "Shareholder(s)") as at the balance sheet date, and Everfull International Limited respectively. The subscription was completed on 21 January 2005. Details of the subscription were disclosed in the Company's announcement dated 7 January 2005.

On 1 February 2005, the Company entered into a placing agreement with Kingston Securities Limited as the placing agent, for placement of 200,000,000 new shares of HK\$0.1 each in the capital of the Company at a price of HK\$0.3 per share. The placement was completed on 31 March 2005. Details of the placement were disclosed in the Company's announcement dated 4 February 2005 and circular dated 21 February 2005.

During the year, the Company consolidated every ten issued and unissued ordinary shares of HK\$0.01 in the share capital of the Company to one ordinary share of HK\$0.10 each in the capital of the Company (the "Consolidation"). Shareholders passed an ordinary resolution at the extraordinary general meeting held on 10 March 2005 to approve the Consolidation. Details of the Consolidation were disclosed in the Company's announcement dated 4 February 2005 and circular dated 21 February 2005.

The Group had 6 staff as at 31 March 2005. The staff costs (excluding directors' emoluments) was around HK\$1.61 million for the year. Staff remuneration package are normally reviewed annually. The Group has participated in Mandatory Provident Fund Scheme. In addition, the Group provides other staff benefits which include double pay and medical benefits. The Group has no share option scheme.

The major acquisition conducted by the Group for the year was the acquisition of 25% interest in a vehicle manufacturing company in the People's Republic of China (the "PRC"). On 10 November 2004, a sale and purchase agreement was entered into between Zeal Advance Limited, a wholly owned subsidiary of the Company, and Mr. Liu Wentan and Mr. Qi Zhousha in respect of the acquisition of the entire issued share capital of Tian Yang (H.K.) Company Limited ("Tian Yang") by Zeal Advance Limited from Mr. Liu Wentan and Mr. Qi Zhousha at a total consideration of HK\$60,000,000 (the "Acquisition"). Tian Yang is incorporated in Hong Kong which holds 25% equity interest in Shuanghuan. Shuanghuan is a sino-foreign joint venture incorporated in PRC, which is principally engaged in manufacturing, integrating and sales of sport light truck, and sales of auto parts with encouraging increasing sales in recent few years. The Acquisition was completed in January 2005. Details of the Acquisition were disclosed in the Company's announcement dated 18 November 2004 and the circular dated 31 December 2004.

Subsequent to the year ended 31 March 2005, an agreement was entered into among Shuanghuan, Tian Yang and Shijiazhuang Shuanghuan Automobile Company on 1 April 2005 to increase the registered capital of Shuanghuan from USD4.98 million to USD35.18 million. Tian Yang agreed to contribute USD30.20 million to Shuanghuan to increase its shareholding from 25% to 50% (the "Capital Increase"). Of the USD30.20 million, approximately USD19.24 million will be financed by internal resource. The remaining balance will be financed by external sources, including but not limited to bank borrowing and further fund raising. The agreement for the Capital Increase is subject to the fulfillment of certain conditions precedent which include the satisfaction of due diligent by Tian Yang and the approval of Shareholders. The Capital Increase was approved by the Shareholders at the extraordinary general meeting of the Company held on 23 June 2005 but the due diligent is still in process. The longstop date for the fulfillment of the conditions precedent of the agreement is 31 July 2005. The Company will keep the Shareholders informed of the progress of the fulfillment of the conditions precedent including but not limited to the due diligence exercise and will make announcement for any further development, if required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Details of the Capital Increase were disclosed in the Company's announcement dated 13 April 2005 and the circular dated 6 June 2005.

The Group has been looking for potential business opportunities to diversify its investments and to improve its earning capacity in long run. With the economic growth and improvement of the living standard in PRC, the demand of automobiles is increasing. The automobile market in PRC after rapidly growth for many years is entering into a stabilized growth stage. According to 2004 forum of development of automobile industry in PRC, the growth rate of the automobile industry is around 15% to 20%. Furthermore, the popularity of automobile is still low in PRC. Pursuant to the Standard and Poor report, there was only 0.95 car for every 100 families. Thus, the investment in Shuanghuan provides an opportunity to start its investment in the car manufacturing industry in the PRC. The Acquisition and Capital increase will strengthen the earning base of and bring growth to the Group in the year ahead.