

FOREWORDS

I have pleasure to present to the Shareholders the Group's annual report for the year ended 31 March 2005.

During the year under review, the Group achieved the highest turnover in history and substantial growth in net profit attributable to shareholders, which demonstrates our strengths in construction business, property development and investment business, and fitness club and related business, and our success in the disposal of Chinese People Gas Holdings Company Limited ("CPG") and its subsidiaries ("CPG Group") which were mainly engaged in the distribution, supply and installation of piped natural gas business during the year, as detailed in the "Business Review" section below.

BUSINESS REVIEW

The Group's turnover for the year was HK\$647,878,000 which represented an increase of 20% as compared with last year. The net profit attributable to shareholders amounted to approximately HK\$40,234,000 representing an increase of 72% as compared with last year. Earnings per share is approximately HK0.81 cent.

The Group's major business segment during the year comprises (i) construction and electrical and mechanical ("E&M") works; (ii) property development and investment; (iii) fitness club and related business; and (iv) natural gas.

During the year, the Group already completed projects such as main contractor for the construction of commercial complex (German Centre), Shanghai, fitting out (including installation of marbles) for 4th to 6th floors of Ongoing Department Store, Shanghai, a 2-year term contract for Design and Contracting of fitting out works: Kowloon and New Territories – Eastern Region and main contractor for renovation works including E&M works in Sharps Street, Wanchai.

More to note, during the year, the Group sold certain units in Phase II and Phase III, Asian Villas, Haikou, Hainan Province and certain units in Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group. The turnover in this sector decreased significantly due to the recognition of most of the turnover and profit in Parkview Garden in last year.

The Group diversified its businesses to include operation of fitness club and the trading of fitness equipment business since the acquisition of additional equity interest in Fitness Concept Limited and its subsidiaries ("Fitness Group"). Since then, Fitness Group became wholly owned subsidiaries of the Group and the turnover and results generated are included in the Group's financial results. During the year under review, turnover contributed from the fitness club and related business amounted to HK\$75 million, representing 12% of the total turnover of the Group.

The PRC has historically relied heavily on coal as its primary energy source but the PRC government in recent years has encouraged the use of other more environmentally friendly forms of fuel such as natural gas to combat the pollution and environmental damage caused by coal combustion. The natural gas market currently only share a very low percentage of the total energy source supply in PRC and the Directors are of the view that this business segment has a high potential for future growth.

In view of the high growth potential of natural gas business, the Group, through a former subsidiary – CPG, acquired an aggregate 49% interests in Xin Hua Resource Investment Limited (“Xin Hua”) at a consideration of HK\$29.5 million in April 2004, and further 51% interests in Xin Hua at a consideration of HK\$65 million in October 2004. Xin Hua and its subsidiaries are principally engage in the installation, supply and distribution of piped natural gas in the PRC.

On 27 July 2004, the Company signed a placing agreement with Guotai Junan Securities (Hong Kong) Limited, on a best effort basis, to place 175,000,000 shares of CPG at HK\$0.3 each and all the 175,000,000 CPG shares were successfully placed out. As a result, the Group recognized a profit of approximately HK\$40 million.

Furthermore, the Group entered into several connected transactions to reorganize the business activities within the Group, details of which are included in the “Connected Transactions” section in the Directors’ Report. During this reorganization, CPG successfully placed a total of 1,095,000,000 new CPG shares at HK\$0.1 each in exchange for certain assets and cash, and the Group recognized a gain of approximately HK\$16 million. The Group also disposed of the entire issued share capital of Super Win Development Limited (“Super Win”), and thereby a controlling interest in CPG at a consideration of HK\$136,172,425.60 in March 2005. The Super Win disposal contributed a gain of approximately HK\$42 million and raise immediate funds of approximately HK\$86 million to the Group, which enable the Group to improve its liquidity and financial position.

Upon completion of the above reorganization, CPG Group ceased to be subsidiaries of the Group, and the natural gas business will be discontinued. The Group (other than CPG Group) will continue concentrates on (i) construction contracting and E&M works; (ii) property development and investment; and (iii) operation of fitness club and related business.

PROSPECTS

Construction and E&M works business

The Group will uphold an on-going parallel development of its construction and E&M works business in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, the Group is now included in the "List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR". In May 2004, the Group was upgraded to Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works", this together with the 11 licenses held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction and E&M works business development.

During the year, new projects such as renovation and E&M works for 292 rooms of Beijing Hilton Hotel, Beijing, main contractor for construction of a residential building at No.1, the Peak, Hong Kong, fitting out for Sogo New Department Store at 12 Salisbury Road, Tsim Sha Tsui, Kowloon, building services installation for the construction of a direct subsidy scheme school in Shatin, Hong Kong, and 2-year term contract for inspection, repair, overhaul and testing of E&M installations at various sewage treatment works and pumping stations in the New Territories were awarded. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$800 million. Looking ahead, the Directors fully believe that the positive signs that the Hong Kong economy is gradually improving and that the confidence is built up in the Government of the HKSAR will have a double-functioning positive impact on the Group's construction and E&M works business in time to come.

Property development and investment

The development of high-class residential property development project, Parkview, near the Botanical Gardens in Shanghai with a gross floor area of approximately 56,000 sq. metres was completed in December 2003. 97% of the apartments of Parkview were sold, and total contractual sum achieved at over RMB282 million. The remaining villas will make available to the market recently. As Shanghai is now vigorously developing into a metropolis serving as an international financial, information and transportation center, the Directors believe that this project has great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings.

In addition, Southern Area of Asian Villas, Haikou, Hainan Province, (also known as "Asian Villas City Square"), will be developed into a residential and commercial complex with a total gross floor area of approximately 130,000 sq. metres, construction is on schedule and it is anticipated gross floor area of approximately 80,000 sq. metres of the development will be completed by the end of 2005. Up to now, presale of Phase I of Asian Villas City Square met with an overwhelming market response and the total contract sum achieved amounted to approximately RMB64 million.

Subsequent to year end, on 9 June 2005 the Group has been granted the land use rights of a development site in Long Ting District of the City of Kai Feng, PRC. The Directors intends to develop a commercial complex on the site with an estimated gross floor area of approximately 120,000 sq. metres, and is expected to contribute revenue to the Group from the year 2006 and expected to be completed by the year 2008.

The Directors are confident that current austerity measure of the PRC government had only a moderate and short term impact on the property market in PRC, and the aforesaid projects will have a significant contribution to the turnover and profit of the Group in the coming years.

With strong sustained economic growth in PRC, the PRC property market offers tremendous opportunities, and the Directors are now looking for property development projects in PRC prime cities and may acquire additional land bank for property development purpose, however, the Group has no specific investment plan in relation to any particular project.

Noteworthy is the fact that Directors believe the hosting of the World Expo in 2010 which will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

Operation of sports club, fitness and spa centres and related business

In the past few years, several fitness and spa centres were opened in various locations in the PRC including Shanghai, Wuhan, Urumqi and Shenzhen. In May 2004, one of the biggest sport club in the PRC was opened in Jinqiao, Shanghai, PRC, this sports club has a total gross floor area of approximately 11,000 square meters equipped with swimming pool, tennis court, spa and gym facilities. In addition, in July 2005, a new fitness centre was opened at Hong Kong New World Tower (Shanghai), Shanghai, PRC. The Group currently has over 11,000 members. As Beijing has won the right to host the 2008 Olympic Games, the Directors believe that such event will stimulate the public's enthusiasm in fitness and sports and this business segment will provide a favourable contribution to the Group's revenue in the future.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2005, the Group had total assets of HK\$643,997,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$306,998,000, HK\$930,000, HK\$334,063,000 and HK\$2,006,000, respectively.

The Group continued to maintain a low gearing ratio, at 0.3%. It was calculated based on the long term borrowings of HK\$930,000 and long term capital of HK\$336,999,000.

Bank borrowings and cash and bank balances were principally denominated in Hong Kong dollars and Renminbi. Hence, there is no significant exposure to foreign exchange rate fluctuations.

CAPITAL STRUCTURE

The Group's long-term capital mainly comprised of shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were denominated mainly in US dollar, Hong Kong dollar and Renminbi. Since Hong Kong dollar is linked to US dollar, and Renminbi is relatively stable, the Directors consider the risk of currency fluctuation will remain minimal.

CONTINGENT LIABILITIES

Details of the contingent liabilities for the Group and the Company are set out in note 32 to the financial statements.

EMPLOYEE SCHEMES

As at 31 March 2005, the Group had 427 employees, 279 of whom were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

CHARGES ON GROUP ASSETS

Details of the charges on assets of the Group are set out in note 24 to the financial statements.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice (the "Code") 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.

CHAIRMAN'S STATEMENT

SUMMARY

The Group's on going parallel development of its construction and E&M works business in both PRC and Hong Kong, the fruitful achievement in the property investment business in PRC, and the successful reorganization of its businesses, were confirmed by the satisfactory operating results in current year. In the future, the Group will strengthen the development of its core business in construction and E&M works business and property development and investment business, together with the fitness club and related business. On the other hand, the Group will keep on seeking new opportunities and corporate development so as to enhance the profitability of the Group.

ACKNOWLEDGEMENTS

On behalf of the directors, I would like to express my gratitude to our Shareholders, business partners and customers for their continued support, I would also like to thank my colleagues for their hard work and continuous commitment over the past few years, their work has contributed significantly to our favorable results. We will carry on dedicating our efforts towards the Group's long-term development.

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong
25 July 2005