

CHAIRMAN'S STATEMENT**FINANCIAL REVIEW**

The Group's turnover for the year decreased to approximately HK\$95,364,000 (2004: HK\$183,650,000), representing a decrease of 48.1% when compared to the previous year. Loss attributable to the shareholders amounted to approximately HK\$120,841,000 (2004: HK\$67,205,000), representing an increase of 79.8% as compared with last year. Loss per share was HK50.1 cents. Included in the reported losses of approximately HK\$41,000,000 was an impairment loss recognized in respect of investment in securities and of approximately HK\$200,000,000 was an impairment loss recognised in respect of property, plant and equipment.

As at 31st March, 2005, the total assets and net assets of the Group were HK\$423,184,000 (2004: HK\$691,171,000) and HK\$220,088,000 (2004: HK\$290,776,000) respectively.

During the year under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars, Renminbi and US dollars. In view of stable exchange rates of between these currencies, the foreign currency exchange risk of the Group is not significant. It is the Group's policy to manage its foreign currency exposure whenever its financial effect is material to the Group.

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and provision of renovation services and operation of toll highway. The business environment in Hong Kong and the PRC remained difficult and highly competitive.

During the later part of 2004, the investment market in Hong Kong has experienced a period of consolidation after the rapid rebound in the economy after the SARS and the turbulence in middle east.

The fiscal measures taken by the Chinese Government since April 2004 to tighten up bank lending and to dampen the over-heated economy have produced some cooling effect on the economy. Property markets in many provinces have consolidated, in particularly Shanghai where excessive speculation was experienced. The property market in Hong Kong rebound very well in 2004 but started to feel the pinch of the higher interest rates and higher prices, although the outlook is still bullish.

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SEGMENT RESULTS

For securities trading and investment, segment turnover amounted to HK\$63,638,000, decreased by HK\$59,549,000 (48.34%) and segment result recorded losses of HK\$38,025,000, decreased by HK\$45,653,000 (54.56%).

For trading of building materials and renovation services, segment turnover amounted to HK\$20,306,000, increased by HK\$2,500,000 (14.04%) and segment result recorded losses of HK\$5,671,000, increased by HK\$3,005,000 (112.72%).

For property development and sales, segment turnover amounted to HK\$246,000, decreased by HK\$17,429,000 (98.61%) and segment result recorded profit of HK\$8,796,000.

For operation of toll highway, segment turnover amounted to HK\$11,153,000, decreased by HK\$11,575,000 (50.93%) and segment result recorded losses of HK\$200,214,000.

The official appreciation of the Chinese currency by 2% would have some encouraging impact on Hong Kong's economy, particularly for those that have substantial earnings in China, in retail, tourism, property and those that have sales proceeds in China but with substantial US\$ borrowings. The smaller that expected adjustment might continue to attract money flow into Hong Kong on speculation of further revaluation, thus improving the banking liquidity and the economy at a whole.

The Board would regularly review its investment portfolio and to increase in sectors where higher growth is envisaged and to reduce in sectors where conditions are less favourable. Careful selection of investments is important to improve the financial returns to the Group. In the coming year, the performance of the investee companies would be closely monitored and for those where future financial returns are not expected to be satisfactory would possibly be divested in order to re-allocate the resources to other more profitable ventures.

The Board will not only focus on those listed securities, but also equity investments that possess sound fundamental growth potential and strong management and are able to give rise to recurring dividend income and capital appreciation for medium to long term strategic investment purposes. Looking ahead, the investment market condition remains challenging but somewhat more favourable. The Board will continue to do their utmost to properly manage the investment portfolio and to capture any profitable opportunities at all times with the main objective to maximize shareholders' benefit in the coming year.

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LITIGATION

On 4th July, 2005 the Company was notified by the Hong Kong Companies Registry that the annual return of Gold United International Industries Limited ("Gold United"), a non-wholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including members and directors of Gold United, which are incorrect and significantly different from the original annual return that are presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a writ against certain persons (the "Defendants") seeking, amongst others, declarations by the court to effect that Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were the people, which purportedly filed the false information to the Hong Kong Companies Registry and/or identified as members and directors in the May Annual Return. Gold United is an investments holding company, which has an 80% direct interest in 杭州恒運交通開發有限公司, which is engaged in the operation of a highway in the Peoples' Republic of China ("PRC").

Details of the above are set out in the announcement of the Company dated 13th July, 2005.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2005, the Group had cash at bank and in hand totaled approximately HK\$53,658,000 (2004: HK\$65,954,000) including pledged bank deposits of HK\$5,041,000 (2004: HK\$5,034,000) and net asset value of approximately HK\$220,088,000 (2004: HK\$290,776,000).

Interest-bearing bank loans and other bank borrowings at 31st March, 2005 amounted to HK\$106,828,000 (2004: HK\$170,557,000), of which HK\$104,491,000 (2004: HK\$143,680,000) were repayable within one year. The gearing ratio, being the ratio of total bank loans and other borrowings of approximately HK\$106,828,000 to shareholders' fund of approximately HK\$220,088,000, was about 0.49 (2004: 0.59).

The Group generally finances its operations from internally generated cashflow and banking facilities. In addition, the Company raised approximately HK\$45,500,000 before expenses through placements and subscription, which was conducted in May 2005. The proceeds of the placements and subscription had been utilized for working capital and for acquisitions related to Group's business.

CONTINGENT LIABILITIES

As at 31st March, 2005, the Company had contingent liabilities in respect of corporate guarantees given to the banks and a securities broker in connection with the credit facilities utilized by the subsidiaries amounting to approximately HK\$7,650,000 (2004: HK\$7,897,000).

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CAPITAL STRUCTURE

As at 31st March, 2005, the Group's shareholders' funds amounted to approximately HK\$220,088,000 (2004: HK\$290,776,000).

In December 2004, the Company entered into a subscription agreement with Peakhill Investment Limited ("Peakhill"), an independent third party, for the subscription of convertible notes of the Company with a principal amount of HK\$32,400,000, convertible into shares of the Company at an initial conversion price of HK\$0.03 per share ("Peakhill Convertible Notes"). The Peakhill Convertible Notes were fully converted into shares of the Company during the year.

On 6th January, 2005, the Company entered into (i) a share subscription agreement with Willplus Assets Limited ("Willplus"), an independent third party, for the subscription of 530,000,000 new shares in the Company at HK\$0.03 per share ("Share Subscription Agreement"); and (ii) placing and subscription agreements with Kingston Securities Limited and Centar Investments, Shepherd Investments, Stark Asia and Stark International, independent third parties for the placing and subscription of the convertible notes with principal amounts of HK\$31,200,000 ("CB Placing Agreement") and HK\$78,000,000 ("CB Subscription Agreements"), respectively, convertible into shares of the Company at an initial conversion price of HK\$0.03 each.

The Share Subscription Agreements, CB Placing Agreement and CB Subscription Agreements were approved by the shareholders of the Company on 9th March, 2005, details of which were set out in the circular to the shareholders of the Company dated 21st February, 2005.

The Share Subscription Agreement and CB Placing Agreement were completed on 18th May, 2005.

On 14th July, 2005, the Company entered into cancellation agreements with the subscribers of the CB Subscription Agreements, details of which were set out in the announcement to the shareholders of the Company on the same date.

In addition, on 17th November, 2004, the Company entered into placing agreement in relation to the placing of 902,280,000 new shares in the Company at a placing price of HK\$0.02 per share. These shares were issued under the general mandate granted to the directors of the Company on 3rd September, 2004. The net proceeds of approximately HK\$17,700,000 were used for general working capital of the Group.

STAFF

As at 31st March, 2005, the Group employed 151 employees (2004: 159). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

CHAIRMAN'S STATEMENT**CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31st March 2005 with the Code of Best Practice as set out in Appendix 14 (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive directors are independent.

AUDIT COMMITTEE

The audit committee, comprising of four independent non-executive directors, has reviewed with the management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting process including the review of the financial statements for the year ended 31st March, 2005.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31st March, 2005.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to shareholders, customers, suppliers, bankers and professional advisors for their support of the Company over the past year and to sincerely thank the staff for their ongoing dedication and diligence.

On behalf of the Board
Dong Bo, Frederic
Chairman

Hong Kong, 27th July, 2005