

## Chairman's Message

In 2005, the Group continued its efforts in implementing various investments to consolidate its strategy of making coke business as core development. Apart from consolidating its resources on core coke business, the Group also strove to broaden its shareholder base and introduce international institutional investors to the Group.

Upon successfully brought in Asset Managers (China) Fund Co., Ltd., a Japanese assets management company ("Asset Managers Fund"), as its second largest shareholder, in March 2006, the Group placed approximately 8.84 percent interests in its share capital to institutional investors including Deutsche Bank by way of top-up placing. Net proceeds from placing amounted to HK\$51.9 million and will be mainly used for future coke investments and for general working capital purpose. The placing not only further strengthened the Group's financial position, but more importantly, it also revealed recognition of the Group's coke business development strategy by institutional investors and the market.

Furthermore, in October 2005, the Company disposed all of its interest in gene technology business represented by Nanjing E-Life Gene Technology Company for cash consideration of HK\$20 million. This transaction enabled the Group to focus its resources on core business and exit continuously loss-making gene technology business, and also further enhanced the Group's overall operation efficiency.

Projects currently undertaken by the Group include acquisitions of interests in Gu Jiao Yi Yi Mei Jiao Company Limited ("Gu Jiao") and Shanxi Changxing Yuci Coking Co., Limited ("Shanxi Changxing"). The Group entered into supplementary agreement to subscribe for interests in the registered capital of Shanxi Changxing in mid-March 2005 and it is expected that the acquisition would complete in mid 2006. The annual production capacity of Shanxi Changxing reached 600,000 tones and it planned to achieve full production in August 2006. The Group believes that Shanxi Changxing will become a major profit contributor to the Group upon completion of the acquisition.

As part of the Group's development direction and to tally with market requirement for the Group's governance, the Board had implemented appropriate personnel adjustments during the year. First, in accordance with the requirement of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group had the roles of the Chairman and the Chief Executive Officer separated, that Ms Ma Jun Li was elected Chairperson of the Board of Directors, and Mr. Wang Da Yong was appointed the Chief Executive Officer the role. Subsequently, the Group appointed Mr. Leung Chung Tak Barry, whose intensive financing and acquisition experiences are believed to be conducive to the Group's business development of coke in the Mainland.

Future development prospect of coke industry remains optimistic. With regard to international market, the boosting global steel industry, Japanese economy recovery and the fact that coke production in Europe and the United States being restrained by stringent environmental legislations and obsolescence of production facilities together created buoyant demand for coke. China is a major coke producer and exporter in the international market. In 2005, China's coke output amounted to over 230 million tones, representing 51% of total world output. Also in 2005, China exported coke to 51 countries and regions in 2005 and its export amounted to 12.76 million tones, representing 45% of total world export.



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With the current macro-economic regulation measures implemented by the PRC government, and that its coke industry in the phase of restructuring with small-scale plants forced to close down or merged, this offered the Group favorable investment opportunities as there exists more choices for acquisition and an enhanced negotiating power for the Group's merge and acquisition. In light of the booming economy of China in the future and the continued hiking of energy prices globally, it is believed that the development prospects of coke industry remains promising, which is conducive to the Group's development in the coke industry in the PRC.

The Group has formulated a five-year business plan for its future coke business development and will continue to identify investment opportunities with development potential and profit prospect to further broaden its income streams. The Group also actively participated in various coke industry related exhibitions in China, including the 3rd China International Coking Technology and Coke Market Congress held in Beijing in September 2005, to gather more updated industry information and facilitate co-operation opportunities with domestic and overseas coke enterprises.

The Group has established coke business as its future development focus. The Group, on one hand, will further proceed with capacity expansion plan of Shanxi Changxing to capture opportunities in coke market promptly and increase its market share. Meantime, the Group will continue to utilize its personal connections in Shanxi and its extensive business relationship in the China market to explore coke business investment opportunities. We will continue to expand our business prudently to maximize shareholders' returns.

**Ma Jun Li**  
*Chairman*

Hong Kong, 28 April 2006