

Chairman's Statement

On behalf of the Board of Directors, I present the 2005/06 Annual Report to the Shareholders.

RESULTS

The Group's audited results for the financial year ended 31 March 2006 was a loss of HK\$22,647,558 attributable to equity holders of the Company compared to a loss of HK\$21,642,239 attributable to equity holders of the Company for the previous year.

REVIEW & OUTLOOK

The Group's main investments, which consist mainly of property investments in China, were at different stages of development. For the year ended 31 March 2006, these investment projects still remained non-profit contributing. It is however expected that these investments, when completed in the coming financial years will generate satisfactory results. In the furniture trading and contracting business, both project-based sales and the furnishing of service apartments remained weak. The U.S. Government's imposition of higher duties on imported furniture from China coupled with the loss of one of the biggest buyers in the U.S. led to a slide in export sales which contributed to the loss for the year.

The Nanjing Dingshan Garden Hotel, which the Group has 45% interest, suffered a loss for the year ended 31 March 2006. The loss was mainly due to the 5-star hotel remaining partially completed with the fitting out of the remaining rooms to be done. Therefore, the hotel was still not operating at full capacity. Due to the fact that the PRC partner in this joint venture company, who had 55% therein, had decided to dispose of their investment in this venture and was in the process of preparing the tendering procedures for such disposal, the plan to complete the second phase of the 5-star hotel was put on hold as it relied on the shareholders' funding supports. Another factor contributing to the loss was the drop in revenue caused by lower occupancy rate especially during the transition period when the joint venture company took over the management of the hotel from Shangri-La Hotel Management Co. Ltd. in January 2006. It is expected that when the transition period is over the occupancy rate will return to its previous level.

With a view to fully realizing the anticipated positive economic results of this investment, the Group expects to find an acceptable programme with its PRC partner to resolve and complete the stalled work.

The second phase of the development of Shanghai Garden City has reached its final stage. Pre-sale of the apartments and shops started in early July 2005 and up to now nearly 90% of the saleable space have been sold at satisfactory prices. It is expected that when this project fully completed, scheduled in August 2006, it will bring satisfactory results to the Group. With the anticipated resources to be realized from this development and the amicable relationship with our Shanghai partner, the Group has been on the watch for further investment opportunities in the city.

APPRECIATION

Lastly, I would like to express my sincere thanks to all our staff for their hard work and loyalty and to our shareholders for their continued support.

Wong Kin Wah, George
Chairman

Hong Kong, 14 July 2006