

CHAIRMAN'S STATEMENT

I am pleased to present to shareholders the annual report of the Group for the year ended 31st March, 2005.

RESULTS AND FINANCIAL HIGHLIGHTS

During the year ended 31st March, 2005, Hong Kong was in a period of economic rebound. The appreciation in value of the stock and property markets together with the drop in unemployment rate have revived the confidence of people in Hong Kong. The Group has also benefited from the economic rebound and reported a satisfactory result for the year ended 31st March, 2005.

The results and financial position of the Group for the year ended 31st March, 2005 are summarised in the table below:

| | 2005 | 2004 | Percentage change |
|---|----------------|---------|-------------------|
| Consolidated turnover (<i>HK\$'million</i>) | 2,026.3 | 3,434.7 | -41.0% |
| Profit from operations (<i>HK\$'million</i>) | 92.6 | 71.8 | +29.0% |
| Profit for the year (<i>HK\$'million</i>) | 186.7 | 28.9 | +546.0% |
| Total assets (<i>HK\$'million</i>) | 1,930.2 | 4,982.5 | -61.3% |
| Shareholders' funds (<i>HK\$'million</i>) | 1,614.7 | 1,353.2 | +19.3% |
| Basic earnings per ordinary share (<i>HK\$</i>) | 0.24 | 0.02 | +1,100.0% |
| Current ratio | 0.56 | 1.58 | -64.6% |

The Group has ceased to consolidate Paul Y. – ITC Construction Holdings Limited ("Paul Y. – ITC") as a subsidiary in the accounts of the Group since the disposal of 77 million shares in Paul Y. – ITC by the Group on 20th October, 2004 as disclosed in the circular dated 5th November, 2004. Since then the Group shared its results as an associate using the equity accounting method. Such change accounted for most of the significant fluctuation for the year under review when compared with the last corresponding year, especially the decrease in consolidated turnover and the consolidated total assets of the Group.

For the year ended 31st March, 2005, the Group reported a profit of approximately HK\$186.7 million. The significant increase was mainly due to the increase in contribution from Paul Y. – ITC. Accordingly, the shareholders' funds increased to approximately HK\$1,614.7 million.

As the convertible notes of principal amount of approximately HK\$164.5 million will be redeemed on 3rd March, 2006, it has been classified as current liability at the balance sheet date, leading to the decrease in current ratio. However, the current ratio will be improved significantly after the Group receives the special cash dividend of approximately HK\$475.1 million from Paul Y. – ITC by the end of July 2005.

REVIEW OF OPERATIONS

During the year ended 31st March, 2005, the Group continued to hold significant interests, both directly or indirectly, in a number of companies listed in Hong Kong, Canada, Australia, Singapore, Germany and the United States ("U.S.") and also high potential unlisted investments pursuant to its long term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the companies invested by the Group.

On 23rd March, 2005, the Group acquired approximately 50.07% interest in Trasy Gold Ex Limited ("Trasy") and, subsequent to the year end, the interest was increased to approximately 56.45% after the close of the cash offers.

The principal business of the Trasy group is the provision and operation of an Internet-based electronic trading system to facilitate trading of precious metals.



CHAIRMAN'S STATEMENT *(continued)*

The Group is now conducting a detailed review on the business operation and financial position of the Trasy group in order to formulate business and/or financing plans and strategies for the Trasy group's future business development with an aim to strengthening the Trasy group's overall business performance. Subject to the results of the financial and operational review and should suitable opportunities arise, the Group may consider diversifying the business of Trasy group with a view to broadening its income stream and capturing further business opportunities. Trading in the shares of Trasy has been suspended since 10th June, 2003 at the request of Trasy and an application for trading resumption has been submitted for the consideration by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Strategic Investments

As at 31st March, 2005, the Group had the following significant strategic investments:

Listed strategic investments directly held

Paul Y. – ITC

The Paul Y. – ITC group is principally engaged in the development and investment in port and infrastructure projects, property development and investment, treasury investment and, through Paul Y. Engineering Group Limited ("Paul Y. Engineering") and its subsidiaries, in building construction, civil engineering and specialist works. In addition, Paul Y. – ITC group holds approximately 29.4% interest in China Strategic Holdings Limited ("China Strategic") as at 31st March, 2005. For the year ended 31st March, 2005, Paul Y. – ITC reported a consolidated profit for the year of HK\$522.9 million and its overall after tax contribution to the Group was a profit of HK\$289.2 million. In addition, the Group has reported a loss of approximately HK\$38.1 million due to the disposal of 77 million shares in Paul Y. – ITC.

Hanny Holdings Limited ("Hanny")

The Hanny group is principally engaged in the trading of computer related products, consumer electronic products which comprise the manufacturing, distribution and marketing of data storage media (primarily floppy disks, CD-R, CD-RW and DVD), the distribution and marketing of computer accessories and storage media drives, scanners, audio and video cassettes, minidisks, household electronic products and telecommunication accessories, and securities trading. The Hanny group also made strategic investments in information technology, supply of household consumer products and other businesses. For the year ended 31st March, 2005, Hanny reported a consolidated loss for the year of HK\$160.9 million and its after tax contribution to the Group was a loss of HK\$35.6 million.

Burcon NutraScience Corporation ("Burcon")

Burcon is a research and development company developing a portfolio of composition, application and process patents around its plant protein extraction and purification technology. The goal of Burcon's research is to develop its patented process to utilise inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon is currently focusing its efforts on developing the world's first commercial canola proteins, namely Puratein® and Supertein™ (the "Products"). Canola, recognised for its nutritional qualities, is the second-largest oilseed crop in the world after soybeans. Burcon's goal is to develop the Products to participate with soy, dairy and egg proteins in the expanding multi-billion-dollar protein ingredient market, with potential uses in prepared foods, nutritional supplements and personal care products. For the year ended 31st March, 2005, Burcon's after tax contribution to the Group was a loss of HK\$4.8 million.

Listed strategic investments indirectly held

Paul Y. Engineering

The principal activities of Paul Y. Engineering group include building construction, civil engineering, specialist works, and manufacturing and trading of construction materials.

China Strategic

China Strategic is an investment holding company. Through its subsidiaries, China Strategic is engaged in the business of manufacturing and trading of batteries and property investment and development in the Mainland; and through its associates engaged in manufacturing and marketing of tires in the Mainland and other countries abroad; and the business of providing package tour, travel and other related services; and hotel and leisure related businesses.

CHAIRMAN'S STATEMENT *(continued)*

PSC Corporation Ltd ("PSC")

The PSC group focuses on three core businesses, namely food, healthcare and education. It is involved in food trading, logistics, manufacturing and retail franchising as well as healthcare consultancy and services, and logistics and supply chain management training.

China Enterprises Limited ("China Enterprises")

China Enterprises is an investment holding company. Through its subsidiaries, China Enterprises is engaged in the business of property investment and development in the Mainland; and has substantial interests in investment companies, the subsidiaries of which are principally engaged in the business of providing package tour, travel and other related services, hotel operation and the manufacturing and trading of tires in the Mainland and other countries abroad.

MRI Holdings Limited ("MRI")

MRI, as an investment company, has continued to actively seek for suitable investment opportunities to meet the strategic goals of MRI.

Wing On Travel (Holdings) Limited ("Wing On Travel")

Wing On Travel is an investment holding company. Its subsidiaries are principally engaged in the business of providing package tour, travel and other related services, and hotel operation including a hotel chain branded under the name of "Rosedale" in Hong Kong and the Mainland.

The Group's interests in listed subsidiary and strategic investments are summarised below:

Listed subsidiary and strategic investments directly held

| Name of investee company | Place of listing | Stock code | Shareholding percentage | |
|--------------------------|--|------------------|-------------------------|-------------------------------|
| | | | As at 31st March, 2005 | As at the date of this report |
| Trasy | The Growth Enterprise Market of Hong Kong Stock Exchange | 8063 | 50.1% | 56.5% |
| Paul Y. – ITC | Hong Kong Stock Exchange | 498 | 49.6% | 49.6% |
| Hanny | Hong Kong Stock Exchange | 275 | 20.5% | 20.5% |
| Burcon | TSX Venture Exchange and Frankfurt Stock Exchange | BU WKN 157793 | 25.0% | 25.0% |



CHAIRMAN'S STATEMENT *(continued)*

Listed strategic investments indirectly held

| Name of investee company | Place of listing | Stock code | Effective interest | |
|--------------------------|---|------------|--------------------------|-------------------------------|
| | | | As at 31st March, 2005 | As at the date of this report |
| Paul Y. Engineering | Hong Kong Stock Exchange | 577 | 32.3% <i>(Note a)</i> | 32.3% <i>(Note a)</i> |
| China Strategic | Hong Kong Stock Exchange | 235 | 20.6% <i>(Note b)</i> | 20.6% <i>(Note b)</i> |
| PSC | Singapore Exchange Securities Trading Limited | PSC | 4.4% <i>(Note c)</i> | 4.9% <i>(Note c)</i> |
| China Enterprises | OTC Bulletin Board, U.S. | CSHEF | 11.4% <i>(Note d)</i> | 11.4% <i>(Note d)</i> |
| MRI | Australian Stock Exchange | MRI | 11.8% <i>(Note d)</i> | 11.8% <i>(Note d)</i> |
| Wing On Travel | Hong Kong Stock Exchange | 1189 | 2.4% <i>(Note e)</i> | 3.2% <i>(Note e)</i> |

Notes:

- (a) The Group's interest is held through its direct interest in Paul Y. – ITC.
- (b) The Group's interest is held through its direct interests in Paul Y. – ITC and Hanny.
- (c) The Group's interest is held through its direct interest in Hanny.
- (d) The Group's interest is held through its indirect interest in China Strategic.
- (e) The Group's interest is held through its indirect interest in China Enterprises.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash, bank balances and deposits as at 31st March, 2005 amounted to approximately HK\$16.0 million. As at 31st March, 2005, the Group had bank borrowings of approximately HK\$79.9 million and other loan of approximately HK\$18.8 million of which HK\$17.4 million and HK\$18.8 million, respectively, are repayable within one year or on demand.

During the year, convertible notes in an aggregate principal amount of HK\$125.0 million were converted into ordinary shares at the conversion price of HK\$0.3 per ordinary share. The balance in an aggregate principal amount of HK\$164.5 million will be redeemed on 3rd March, 2006 (or the next following business day if it is not a business day) unless they are previously converted, redeemed or purchased and cancelled.

As at 31st March, 2005, all the Group's borrowings are at floating interest rates and the Group's current ratio was 0.56.

EXCHANGE RATE EXPOSURE

As at 31st March, 2005, approximately 18.1% of the cash, bank balances and deposits were in other currencies and only 5.7% of the Group's total borrowings of HK\$263.1 million was denominated in Canadian dollars. The Canadian dollars denominated borrowings are directly tied in with the Group's business in Canada.

GEARING RATIO

The Group's gearing ratio, which was calculated using the Group's net borrowings of HK\$247.1 million and the shareholders' funds of HK\$1,614.7 million, was 15.3% as at 31st March, 2005, as compared to 42.8% as at 31st March, 2004.

CHAIRMAN'S STATEMENT *(continued)*

PLEDGE OF ASSETS

As at 31st March, 2005, certain of the Group's properties with an aggregate carrying value of approximately HK\$143.1 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st March, 2005.

EMPLOYEE AND REMUNERATION POLICY

As at 31st March, 2005, the Group employed a total of approximately 54 employees. The Group's remuneration package is structured with reference to the individual performance and the prevailing salary levels in the market. The Group also offers other benefits to employees including discretionary bonus, training, provident funds and medical coverage. Share option schemes are established for the eligible employees but no share option was granted during the year.

MAJOR EVENTS

Disposal of shares in Paul Y. – ITC

On 18th August, 2004, the Board announced that the Group intended to place out sufficient shares in Paul Y. – ITC so that on completion of the placement Paul Y. – ITC will become an associate of the Company. On 20th October, 2004, the Company disposed of 77 million shares in Paul Y. – ITC at a consideration of HK\$1.05 per share. After the disposal and upon the receipt of scrip shares from Paul Y. – ITC on 29th October, 2004, the Group's interest was decreased from approximately 55.06% to approximately 49.58% and Paul Y. – ITC has become an associate of the Company with effect from 20th October, 2004.

Acquisition of property interest in Hong Kong

On 20th October, 2004, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with a third party to acquire the whole of the 30th Floor and 4 carparking spaces on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong at a consideration of approximately HK\$102 million. The acquisition of the property has been approved by the ordinary shareholders of the Company on 26th November, 2004 and was completed on 30th December, 2004. The property is being used as a downtown office of the Group.

Conversion of convertible preference shares into redeemable convertible preference shares

Upon the approval by the ordinary shareholders and preference shareholders on 13th October, 2004, the conversion of the convertible preference shares into redeemable convertible preference shares has taken effect from 3rd November, 2004. The redeemable convertible preference shares will be redeemed, according to their terms, at HK\$1.06 per share on 3rd November, 2007.

Acquisition of interest in Trasy

On 23rd March, 2005, Golden Hall Holdings Limited ("Golden Hall"), a wholly-owned subsidiary of the Company, acquired approximately 50.07% interest in Trasy at an aggregate consideration of HK\$8 million, representing approximately HK\$0.00575 per share of Trasy. As a result of the acquisition, Golden Hall made unconditional mandatory cash offers for all the shares of Trasy at HK\$0.00575 each and for all the options of Trasy at HK\$1 for every 1,000,000 options not already owned by it and its concert parties.

On 25th May, 2005, the cash offers were closed and the Group's interest in Trasy was increased to approximately 56.45%.

SECURITIES IN ISSUE

As a result of the issue of new ordinary shares under the conversion of the convertible notes and the redeemable convertible preference shares, the total number of issued ordinary shares and issued redeemable convertible preference shares of the Company as at the date of this report are 1,072,008,541 and 266,952,000, respectively of HK\$0.10 each.



CHAIRMAN'S STATEMENT *(continued)*

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 1.5 cents per ordinary share for the year ended 31st March, 2005 (2004: Nil) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 5th October, 2005. The final dividend is expected to be paid to shareholders by post on or around 3rd November, 2005. The Board has also proposed that the final dividend should be satisfied by cash, with an option to elect scrip dividend of ordinary shares, in respect of part or all of such dividend. The market value of the ordinary shares to be issued under the scrip dividend alternate will be fixed by reference to the average of the closing prices of the ordinary shares of the Company for the three consecutive trading days ending 5th October, 2005 less a discount of five per cent. of such average price or the par value of ordinary shares, whichever is the higher. The proposed scrip dividend is conditional upon the Hong Kong Stock Exchange granting listing of, and permission to deal in, the new shares to be issued and the passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final dividend. A circular giving full details of the scrip dividend alternate and a form of election will be sent to shareholders of the Company.

DIVIDEND ON PREFERENCE SHARES

The Board has resolved to pay a dividend of HK\$0.04 per redeemable convertible preference share of the Company of HK\$0.10 each in respect of the twelve month period ending on but excluding 3rd November, 2005 to holders of redeemable convertible preference shares whose names appear on the register of redeemable convertible preference shares as at the close of business on 14th October, 2005. The dividend on redeemable convertible preference shares is expected to be paid to holders of redeemable convertible preference shares by post on or around 3rd November, 2005.

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

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

OUTLOOK

The year ahead will continue to be challenging. On the one hand, the opening of Hong Kong Disneyland, the ongoing relaxation of Individual Visit Scheme and the improvement in unemployment rate are expected to prolong tourism boom and boost consumer sentiment which will sustain the growth of Hong Kong economy. On the other hand, the impact of the record high oil price and the rising interest rate is still uncertain in the long run. However, the Group is cautiously optimistic about the business operation in the coming year. Building on its existing assets base and growing diversified investment portfolio, the Group aims at sustaining stable income growth and capitalising high growth opportunities while hedging the Group's performance against unforeseeable business risks in any particular sector. It is the ultimate goal of the Group to increase shareholder value and reward shareholders with stable dividend payout. With the strong cash position gained from the special cash dividend received from Paul Y. – ITC, the Group will proactively yet prudently explore and take advantage of any business investment and expansion opportunities that may enhance long term profitability. Barring unforeseen circumstances, the Group is confident in meeting future challenges.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuous support to the Company and extend my appreciation to all management and staff members for their contribution and dedication throughout the year.

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 22nd July, 2005