

Chairman's Statement

I herewith present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005. The report is also the first report I submit since I was elected the chairman after the change of control in shareholding and management in April 2005 and May 2005, respectively.

During the year ended 31 December 2005, the Group recorded a loss attributable to shareholders of HK\$27.1 million (2004: HK\$104.5 million) and net assets of HK\$26.7 million (2004: net liabilities of HK\$16.2 million). The gross loss of the Group has reduced by 98% to HK\$0.6 million. The significant decrease in gross loss and operating loss for the year was mainly due to the cessation of raw materials trading which generated lower gross profit and the relatively lower raw material cost during the year.

Following the change in management, apart from continuously exercising stringent management on the existing business to improve its financial and system control, the Group has stepped ahead into a new era in food and beverage in the People's Republic of China ("PRC"). In late 2005, the Group has acquired a Tianjin dairy company. It has been the Group's strategy to seek additional manufacturing opportunities and identify suitable investment opportunities to further develop the Group's business. The PRC dairy industry presents promising growth potential and that the acquisition will provide the Group with the opportunity to benefit from participating in that industry as an additional line of business.

Throughout the past few years, China has become the engine of the worldwide economic growth, with steady but galloping rates. The prosperous economy and the improvements in living standards will definitely stimulate the demand for dairy business. In search for new investment and acquisition opportunities, the Group will take the market demand in China as a basic reference point.

Looking forward, the new management, basing on their expertise in food and beverage industry and related areas in the PRC, will use their endeavors to ensure income growth and operational efficiency improvement, for the sake of turning around its existing financial position and bringing in returns for the shareholders.

Peter Lo
Chairman

Hong Kong, 20 April 2006