

Chairman's Report

The year 2006 marked a crucial year on the Group's development roadmap. During the year, the Group made a series of reforms in numerous areas such as place of incorporation, memorandum and bye-laws, structure of share capital and board lot, in response to its new projects and development directions.

After the end of the financial year, the Group has successfully penetrated into the real estate market in the Mainland China by obtaining the right of development in respect of a large-scale commercial logistics park located in the urban area of Shenyang through an acquisition. This is of material significance to the Group's future development, indicating the possibility of its emergence as a major participant in the commercial real estate sector in the Mainland China.

Business Review

In the past year, the rental business of the industrial factory in Kwai Fong, Hong Kong was the sole business of the Group. As compared with the year before last, the Company's operating income last year amounted to HK\$3.7 million and dropped slightly by 4.7%, mainly attributable to the longer vacancy duration of two large units. However, with strengthened cost control, the direct costs dropped by 15.3%, and the gross profit level of the Group still increased by 8.3% last year. Nevertheless, after deducting the administrative and finance costs, the Group still recorded a loss of HK\$5.252 million, representing a significant reduction of HK\$25.015 million as compared to the year before last.

Financial Position

As at 31st March, 2006, the Group's bank loans approximated HK\$14.70 million, of which HK\$1.47 million would be due within one year. Interest on bank loans was charged at floating commercial rates prevailing among banks in Hong Kong. Since the loans are denominated in Hong Kong dollars, changes in foreign exchange rates would not affect the Group's capital and liquidity structure.

As at 31st March, 2006, the investment properties of the Group were valued at HK\$20 million. The Group has pledged the rental proceeds, deposits and license fees of the investment properties as guarantees of the mortgages.

As at 31st March, 2006, all of the Group's trade receivables at 31st March, 2006 was aged within 60 days. The collection procedures by the Group ensure sufficient cash inflow to meet the needs of daily operations.

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Financial Position *(continued)*

During this accounting year, the Group has not repurchased or sold listed shares of the Group.

The Audit Committee of the Group has reviewed the audited consolidated financial statements for the year ended 31st March, 2006 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.

Business and Prospects

On 22nd September, 2005, the Company signed the Sale and Purchase Agreement with He Fu International Limited ("He Fu"), its controlling shareholder, to acquire the entire equity interest in Grand Hope Group Limited ("Grand Hope") held by He Fu. The acquisition was duly completed on 6th June, 2006. Grand Hope holds a 71% equity interest in 瀋陽大東方置業有限公司 (Shenyang Dadongfang Property Development Co., Ltd) ("Shenyang Dadongfang"), and also holds a 80% equity interest in 瀋陽盛泰源物流有限公司 (Shenyang Shengtaiyuan Logistics Company Limited) through Shenyang Dadongfang. Shenyang Dadongfang is engaged in a large-scale commercial real estate project in Shenyang City, with a site area of 328,000 square metres. Large shopping malls, supermarkets, offices, hotels, service apartments and so on will be built on the site, with a gross floor area of 568,000 square metres. This marks the Company's actual entry into the real estate market of the Mainland China, and the Company is focusing on the development of commercial real estate projects, hence avoiding the impact of macroeconomic control policy.

Looking ahead, Shenyang Dadongfang will significantly increase the Company's operating income and profitability, and enhance the Company's asset position substantially. In June 2006, the Company issued approximately 1.7 billion new shares, which on the one hand fulfilled the minimum public float requirement, and on the other hand raised approximately HK\$170 million in cash. Currently, the Company is exploring new investment opportunities in the Mainland, hoping to further expand the Company's scale, widen its asset base and increase its profitability through acquisition and mergers, with the aim to bring stable, long-term high returns to our shareholders.

Appreciation

On behalf of the Board, I would like to express our sincere gratitude to all shareholders, business partners and staff for their continuous support and their confidence in the Company's future.

Zhang Hongwei
Chairman

17th July, 2006