

## CHAIRMAN'S STATEMENT

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### BUSINESS REVIEW AND PROSPECTS

The Group is pleased to report that there was significant progress in its core businesses in 2005. The turnover of the Group, amounted to HK\$376,521,000 (2004: HK\$140,617,000), increased by almost 1.7 times compared with that of 2004. The Group's gross profit, amounted to HK\$21,922,000 (2004: HK\$12,520,000), was also posting a year-on-year increase of over 75%. Such sharp increases in the Group's turnover and gross profit were mainly contributed by the significant business growth of the Group's core operations, namely, power generation and iron ore trading. Moreover, the Group's jointly controlled entity, Shanghai Hong Qiao Friendship Shopping Center Co., Ltd., continued to deliver impressive financial results in 2005. Its turnover reached a new record high of HK\$478,261,000 in 2005, and the Group's share of its profit for the year was HK\$4,332,000 (2004: HK\$4,032,000), representing an increase of over 7% from last year. As a whole, the overall financial performance of the Group's core operations, including the jointly controlled entity, is encouraging in 2005 except that an impairment loss of the goodwill of, and share of loss of the associate – Xi'an Gaoxin Hospital Co., Ltd., totaled HK\$50,094,000 has been recognised which mainly caused the Group to report an overall loss of HK\$76,898,000. The associate has ventured into investment in a coal mine in China and an impairment loss was recognised against this investment due to uncertainties involved regarding its future return and recoverability. Other major loss items for the year included the loss on revaluation of investment properties of HK\$5,000,000, impairment losses on interest and loans receivable totaled HK\$4,041,000 and loss on disposal of listed securities of HK\$6,717,000. In December 2005, the Group entered into an agreement to dispose of its investment properties for a consideration of HK\$63,500,000, the carrying value of the investment properties at year end was HK\$63,000,000, completion of the transaction is scheduled to be in May 2006.

Looking ahead, the Group is optimistic about its results in future years as its core operations of power generation and iron ore trading are expected to benefit from the continuous growth of China's economy. The Group will focus on improving the financial and operational performance of all existing businesses, and will continue to look for new investment opportunities with substantial value to shareholders.

### APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all our shareholders, bankers, business associates and customers for their continuous support to the Group, and my special thanks to my fellow directors and all staff members for their hard work and contributions during the past year.

**Suen Cho Hung, Paul**

*Chairman*

Hong Kong, 24th April, 2006

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