

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Property Leasing Business

Shanghai Property

As at 31 December 2005, China Development Bank Tower which is located in Shanghai, the People's Republic of China was fully let out and recorded rental income amounted to HK\$2.7 million throughout the year.

Jinan Property - Qi Lu International Mansion ("The Property")

Since that the buyer was unable to pay promissory notes at due date in relation to the purchase consideration of the Property, the Group repossessed the Property in Shangdong Province in the People's Republic of China on 11 July 2005.

Paper Business

The Group's associated company, Wuhu Dongtai Paper Manufacturing Company Limited, which is located in Anhui Province, suspended production due to insufficient working capital.

The other Group's associated company, Zhejiang Risesun Paper Company Limited also suspended production due to insufficient working capital.

New Business and Outlook

In order to create a new profit centre, the Group acquired 80% equity interest in Shanghai Daoqin Hospital Management Company Ltd in April 2005. The enterprise is the first sino-foreign medical management company in Shanghai. Therefore, it encountered many difficulties in the course of obtaining approvals. The Group negotiated with the vendor to cancel the acquisition and the deposit paid for such acquisition will be recovered in 15 days after the cancellation of the acquisition which took place today.

Heze Century Energy CoalChem Industry Company Limited in which the Company had an equity interest has obtained the approvals for the project of dimethyl ether from the government. It is in the process of applying approvals for its coker project and methanol project.

The Group has also started its securities investment activities. It is expected to generate greater returns to the shareholders in the coming future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, the Group had cash and bank balances of HK\$5.7 million, deposits in a security company of HK\$0.3 million, and overdraft in a security company of HK\$10.1 million.

Charges on Group assets

As at 31 December 2005, an investment property of the Group with a carrying amount of HK\$35.0 million was pledged to a bank to secure a short-term bank loan of RMB24.0 million granted to a third party. In return, the Group receives an income of 8% per annum on the loan from this third party.

EMPLOYEES

As at 31 December 2005, the Group employed 8 persons and the staff cost amounted to HK\$2.3 million. Staff remuneration packages are reviewed annually. The Group does not maintain a share option scheme.