MANAGEMENT DISCUSSION AND OUTLOOK

INTERIM RESULTS

For the six months period ended 30th June, 2006, the Group recorded a loss of HK$14,612,000 (2005: HK$13,384,000) and loss per share was HK1.2 cents (2005: HK1.1 cents).

BUSINESS REVIEW

Group's Operations

For the first half year in 2006, the Group continued to engage in the businesses of power generation, trading, provision of finance, property investment and management as well as brokerage and securities investment. The revenue of the Group was HK$287,818,000 for the current period, increased by about 29% when compared with HK$223,747,000 in the previous period. The Group's gross profit was HK$22,157,000, improved by about 69% from HK$13,102,000 in the prior period. Such increases were both chiefly contributed by the encouraging performance of the Group's power generation operation.

The Group's power generation operation currently comprises two coal-fired power plants in Sanmenxia City, Henan Province, China with each having an installed capacity of 50 megawatts. For the first six months in 2006, the operation generated on-grid electricity sale of about 345 million kilowatt-hours (2005: 179 million kilowatt-hours), translating into a revenue of HK$82,775,000 (2005: HK$43,532,000). The increases in on-grid electricity sale and revenue by about 93% and 90% respectively in the current period were mainly due to the additional contribution from the newly-constructed power plant which has commenced its commercial production since the third quarter of 2005. The profit contributed by this operation was HK$9,763,000 (2005: HK$667,000) for the current period, the management expects this operation will continue to perform well in the coming years.

For the first half of 2006, the Group's trading operation in iron ore continued to deliver profitable results. Revenue and operating profit of the operation were HK$179,424,000 (2005: HK$175,101,000) and HK$1,730,000 (2005: HK$4,848,000) respectively, when compared with the previous period, the operation's revenue increased slightly by about 2% while operating profit was lowered primarily as a result of increased market competition. The outlook for the iron ore market in China remains positive and management expects this operation will continue to deliver encouraging results for the remainder of the year.

Interest income generated by the financing operation was HK$1,693,000 (2005: HK$1,711,000) for the review period and operating profit was HK$1,692,000 (2005: loss of HK$434,000). The financing operation was making a stable contribution to the Group's results. In the previous period, an allowance of HK$2,077,000 was made against certain long outstanding loans receivable which primarily caused the operation to report an operating loss.

MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

BUSINESS REVIEW *(Continued)*

Group's Operations *(Continued)*

The turnover of the property operation decreased to HK$1,087,000 (2005: HK$1,587,000) when compared with the previous period as the Group had disposed of its investment properties in Yuen Long in May 2006. Certain renovation and repair works were conducted before the disposal of the property which mainly caused the operation to incur an operating loss of HK$1,977,000. Further details of the transaction are contained in the Company's circular dated 27th January, 2006.

The revenue of the brokerage and securities investment operation was increased to HK$22,839,000 (2005: HK$1,816,000) during the review period mainly as a result of its increased activity in trading of securities. The operation incurred a loss of HK$8,917,000 in the current period (2005: HK$6,355,000) which mainly represented the operation's administrative overheads and an unrealized holding loss of listed securities of HK$3,620,000.

Jointly Controlled Entity

The Group's 30% owned jointly controlled entity – Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Shanghai Hong Qiao") continued to perform well during the review period. For the first half in 2006, the turnover of Shanghai Hong Qiao was approximately HK$263 million, representing an increase of 8% from HK$243 million in same period last year. The Group's share of profit of Shanghai Hong Qiao, as a result of its strong sales growth and profitability, also rose by about 62% to HK$3,867,000 (2005: HK$2,392,000).

Associate

The Group's share of profit of the associate – Xi'an Gaoxin Hospital Co., Ltd. ("Xi'an Gaoxin ") was HK$2,405,000 for the review period (2005: HK$1,337,000). Xi'an Gaoxin owns a general hospital in Xian, China as well as other investments including a coal mine project in Shannxi Province, China. Xi'an Gaoxin posted a satisfactory result for the review period and management expects its results will further improve when its other investments mature and generate returns.

MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30th June, 2006, the Group had current assets of HK$154,741,000 (at 31st December, 2005: HK$196,155,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totalling HK$35,741,000 (excluding pledged bank deposits) (at 31st December, 2005: HK$38,441,000).

At the period end date, total bank and other borrowings amounted to HK$266,451,000 (at 31st December, 2005: HK$306,078,000). Of the total bank and other borrowings, about 82% was due within one year, 11% was due after one year but not exceeding two years and the remaining 7% was due after two years but not exceeding five years. In terms of currency denomination, about 75% of the balance was denominated in Renminbi with the rest in Hong Kong dollars. In terms of interest rate, about 22% and 78% of the total balance were bearing floating and fixed interest rate respectively.

The Group was in net current liabilities of HK$210,274,000 at 30th June, 2006 (at 31st December, 2005: HK$199,391,000). For bank and other borrowings of HK$218,580,000 that were classified as current liabilities at period end, the Group have obtained consents from bank and financial institutions that credit facilities concerned of approximately HK$94 million be extended and fall due after June 2007.

There was no change in the issued share capital of the Company during the period. At 30th June, 2006, the shareholders' funds of the Group was HK$467,332,000 (at 31st December, 2005: HK$473,142,000), equivalent to a consolidated net asset value of about HK38 cents (at 31st December, 2005: HK39 cents) per share of the Company. As of the period end date, gearing ratio calculated on the basis of the Group's bank and other borrowings of HK$266,451,000 over the shareholders' funds of HK$467,332,000 was at the moderate level of about 57%.

With the amount of liquid assets on hand and credit facilities available, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimized via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

FINANCIAL REVIEW *(Continued)*

Pledge of Assets

At 30th June, 2006, the Group's property, plant and equipment and bank deposits with an aggregate value of HK$162,498,000 were pledged to secure credit facilities granted to the Group.

At 30th June, 2006, the Group's equity interest in a subsidiary which in turn holds the interest in Shanghai Hong Qiao was pledged to secure a credit facility of HK$50,000,000 granted to the Group.

The Group had entered into a long-term loan agreement with a bank under which subsidiaries of the Company engaged in the power generation business had pledged their rights in collection of electricity tariff to the bank to secure banking facilities granted to the Group.

Capital Commitments

At 30th June, 2006, the Group had a commitment of HK$2,404,000 in relation to construction work of the power generation operation.

Contingent Liabilities

A subsidiary of the Company was named a respondent in a shipping dispute for an amount of approximately HK$4,100,000. The amount has not been accrued in the condensed consolidated financial statements of the Company because the matter has not been proceeded to an advance stage such that the directors can fairly predict the outcome of the matter. The Group is in the opinion that though the outcome of the dispute is not certain, any eventual settlement will not have a material adverse impact on the financial position of the Group.

EMPLOYEES AND REMUNERATION POLICY

At 30th June, 2006, the Company and its subsidiaries had about 410 employees in Hong Kong and the Mainland. Total staff costs incurred during the period, including director's remuneration, was HK$13,002,000 (2005: HK$7,247,000). The increase was mainly due to the additional staff employed by the Group for its securities and power generation operations. There was no material change to the remuneration policy of the Group from those disclosed in the Company's 2005 Annual Report.

BUSINESS PROSPECTS

The Group's core operations of power generation and trading, together with its jointly controlled entity – Shanghai Hong Qiao, continued to perform well in the first half of 2006. The management expects these operations will continue to benefit from the continuous growth of the China's economy and is optimistic about the Group's results for the remainder of the year. The management will continue to focus on improving the financial and operational performance of all existing Group's businesses, and will also look for new investment opportunities with substantial value to shareholders.