

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2006*

### 1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK\$210 million at 30th June, 2006. The directors of the Company have taken steps to improve the liquidity of the Group. The Group has successfully obtained consents from bank and financial institutions to extend their loans of approximately HK\$94 million which will now fall due after June 2007. In order to further enhance the Group's liquidity, the directors are also negotiating with financial institutions to obtain additional credit facilities and extending existing credit facilities. The directors are satisfied that the Group will have sufficient resources to be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

### 2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

*For the six months ended 30th June, 2006*

### 3. Summary of the effects of the changes in accounting policies

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2006

### 4. Segment information

#### Business segments

For management purposes, the Group is currently organised into five operating divisions – power generation, trading of goods, provision of finance, property investment and management and brokerage and securities investment. These divisions are the basis on which the Group reports its primary segment information.

#### Six months ended 30th June, 2006

	Power generation HK\$'000	Trading of goods HK\$'000	Provision of finance HK\$'000	Property investment and management HK\$'000	Brokerage and securities investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	82,775	179,424	1,693	1,087	22,839	-	287,818
Inter-segment sales*	-	-	-	223	-	(223)	-
Total revenue	<u>82,775</u>	<u>179,424</u>	<u>1,693</u>	<u>1,310</u>	<u>22,839</u>	<u>(223)</u>	<u>287,818</u>
RESULTS							
Segment results	<u>9,763</u>	<u>1,730</u>	<u>1,692</u>	<u>(1,977)</u>	<u>(8,917)</u>	<u>-</u>	<u>2,291</u>
Unallocated corporate income							159
Unallocated corporate expenses							(6,010)
Finance costs							(14,727)
Share of profit of an associate							2,405
Share of profit of a jointly controlled entity							<u>3,867</u>
Loss before taxation							(12,015)
Income tax expense							<u>(3,025)</u>
Loss for the period							<u>(15,040)</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2006

### 4. Segment information (Continued)

Business segments (Continued)

Six months ended 30th June, 2005

	Power generation HK\$'000	Trading of goods HK\$'000	Provision of finance HK\$'000	Property investment and management HK\$'000	Brokerage and securities investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	43,532	175,101	1,711	1,587	1,816	-	223,747
Inter-segment sales*	-	-	-	324	-	(324)	-
Total revenue	<u>43,532</u>	<u>175,101</u>	<u>1,711</u>	<u>1,911</u>	<u>1,816</u>	<u>(324)</u>	<u>223,747</u>
RESULTS							
Segment results	<u>667</u>	<u>4,848</u>	<u>(434)</u>	<u>(3,967)</u>	<u>(6,355)</u>	<u>-</u>	<u>(5,241)</u>
Unallocated corporate expenses							(6,284)
Finance costs							(5,389)
Share of profit of an associate							1,337
Share of profit of a jointly controlled entity							<u>2,392</u>
Loss before taxation							(13,185)
Income tax expense							<u>(263)</u>
Loss for the period							<u><u>(13,448)</u></u>

\* Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2006

### 5. Income tax expense

	Six months ended 30th June,	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax charge	<u>3,025</u>	<u>263</u>

No provision for Hong Kong Profits Tax or the People's Republic of China income tax has been made as the Company and its subsidiaries had no assessable profit for the period.

### 6. Loss for the period

	Six months ended 30th June,	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after charging (crediting):		
Depreciation and amortisation (included in administrative expenses) of		
– trading right	50	40
– prepaid lease payments	433	423
Depreciation of property, plant and equipment	13,460	7,491
Loss on disposal of investment properties held for sale (including transaction costs)	1,015	–
Loss on disposal of property, plant and equipment	20	–
Share of taxation of an associate (included in share of profit of an associate)	848	–
Share of taxation of a jointly controlled entity (included in share of profit of a jointly controlled entity)	1,906	1,345
Cost of inventories recognised as expense	183,669	132,241
Interest income, other than from investments	<u>(643)</u>	<u>(305)</u>

### 7. Dividends

No dividends were paid during the period (six months ended 30th June, 2005: Nil).

### 8. Basic loss per share

The calculation of the basic loss per share attributable to equity holders of the Company is based on loss attributable to equity holders of the Company for the period of HK\$14,612,000 (six months ended 30th June, 2005: HK\$13,384,000) and on 1,214,115,987 shares in issue during each of the two periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2006

### 9. Movements in property, plant and equipment and investment properties held for sale

During the period, the Group incurred costs for construction in progress of approximately HK\$2.7 million and other property, plant and equipment at a cost of approximately HK\$2.9 million for the purpose of expanding the Group's operations.

During the period, the Group disposed of its investment properties held for sale at a consideration of HK\$63,500,000 and a loss on disposal, including transaction costs, of HK\$1,015,000, was recognised directly in the condensed consolidated income statement.

### 10. Other assets

Other assets are statutory deposits paid to government regulators in relation to the Group's licensed activities in the securities market in Hong Kong.

### 11. Trade receivables, other receivables and prepayments

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Trade receivables	29,590	32,679
Other receivables and prepayments	45,068	20,733
	<u>74,658</u>	<u>53,412</u>

The settlement terms of trade receivables arising from securities dealing business is two days after the trade date. Trade receivables arising from securities dealing business are as follows:

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Clearing house	2,591	685
Cash clients	2,450	3,007
Margin clients	1,069	3,524
	<u>6,110</u>	<u>7,216</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2006

### 11. Trade receivables, other receivables and prepayments *(Continued)*

The Group allows an average credit period of 60 days to its other trade customers. The following is an aged analysis of trade receivables (other than arising from securities dealing business) at the balance sheet date:

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
0 to 60 days	<b>23,076</b>	25,417
61 to 90 days	<b>396</b>	46
Over 90 days	<b>8</b>	–
	<hr/> <b>23,480</b> <hr/>	<hr/> 25,463 <hr/>

### 12. Bank balances and cash

A subsidiary of the Company is principally engaged in the business of securities dealing and brokerage, it receives and holds money deposited by clients in the course of conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts. The Group has recognised the corresponding account payables to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2006

### 13. Trade and other payables

The following is an aged analysis of trade and bills payables at the balance sheet date:

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Trade payable arising from securities dealing business:		
Cash clients	<b>4,168</b>	9,986
Margin clients	<b>12,793</b>	4,593
	<b>16,961</b>	14,579
Trade and bills payables arising from other businesses:		
0 to 60 days	<b>22,952</b>	28,491
61 to 90 days	<b>6,648</b>	7,041
Over 90 days	<b>20,480</b>	17,307
	<b>50,080</b>	52,839
Other payables	<b>77,909</b>	71,318
Value added tax payables	<b>1,460</b>	2,244
	<b>79,369</b>	73,562
	<b>146,410</b>	140,980



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2006

### 14. Bank and other borrowings

	<b>30th June, 2006</b>	31st December, 2005
	<b>HK\$'000</b>	HK\$'000
Bank loans	<b>171,506</b>	194,212
Other loans	<b>94,945</b>	111,866
	<u><b>266,451</b></u>	<u>306,078</u>
Analysed as:		
Secured	<b>231,159</b>	156,206
Unsecured	<b>35,292</b>	149,872
	<u><b>266,451</b></u>	<u>306,078</u>

During the period, the Group obtained new bank and other loans amounting to HK\$72,733,000. The loans bear interest at prevailing market rates and were used to finance general operations of the Group. In addition, the Group repaid bank and other borrowings totalling HK\$112,360,000 during the period.

At the balance sheet date, the following assets of the Group were pledged to secure credit facilities granted to the Group:

	<b>30th June, 2006</b>	31st December, 2005
	<b>HK\$'000</b>	HK\$'000
Investment properties held for sale	–	63,000
Property, plant and equipment	<b>152,845</b>	121,639
Bank deposits	<b>9,653</b>	9,615
	<u><b>162,498</b></u>	<u>194,254</u>

In addition, at 30th June, 2006, the Group's equity interest in Equal Link Investments Limited, a wholly-owned subsidiary of the Company which in turn holds the Group's interest in a jointly controlled entity, was pledged to an independent third party for credit facility granted to the Group. As at 30th June, 2006, HK\$50,000,000 (31st December, 2005: HK\$42,000,000) of such facility was utilised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2006

### 15. Capital commitments

	<b>30th June, 2006</b>	31st December, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure authorised but not provided for in the financial statements in respect of acquisition of property, plant and equipment	<u>2,404</u>	<u>3,089</u>

### 16. Other restriction of assets

During the year ended 31st December, 2004, the Group entered into a long-term bank loan agreement. Pursuant to terms of this agreement, subsidiaries of the Company engaged in the power generation business have pledged their tariff collection rights to a bank to secure credit facilities granted to the Group. At 30th June, 2006, the subsidiaries' tariff collection rights pledged amounted to HK\$20,228,000 (31st December, 2005: HK\$14,994,000).

### 17. 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 because the matter has not been proceeded to an advance stage such that the directors can fairly predict the outcome of the matter. In the opinion of the directors, 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.