

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The total revenue of the Group for the Period comprised turnover of approximately HK\$27.0 million (2005: HK\$21.4 million) representing an increase of 26.2% as compared with the corresponding period in 2005 because of the continuing effort of the Group to expand its business, and approximately HK\$3.4 million gains arising from waiver of accrued salary by the ex-directors, Mr. Tam Jin Rong, Mr. Tam Kai On and Mr. Tao Ke Wei.

Construction contract costs comprised of direct material, subcontracting costs and government tax other than income tax for construction projects. Because of inflation in material costs and labor charges rate, the total construction contract costs increased by 48.0% from approximately HK\$17.3 million for the six months ended 30 June 2005 to approximately HK\$25.6 million for the Period, which was higher than the increase in turnover.

General and administrative expenses, which included staff costs, professional fees, commission fees and general administrative expenses increased by 32.4% from approximately HK\$3.4 million for the six months ended 30 June 2005 to approximately HK\$4.5 million for the Period, mainly due to the mandatory conditional cash offer in March 2006 and open offer in June 2006.

The Group's operating profit decreased from approximately HK\$0.9 million for the six months ended 30 June 2005 to approximately HK\$0.4 million for the Period mainly due to the fact that the increased in percentage of construction contract cost was much higher than the increase in percentage of turnover during the Period.

BUSINESS REVIEW

During the Period, the Group continued its focus in the construction market in the Guangdong Province, the PRC where the Group had developed an extensive network of connections over the last few years. The turnover of the Group, derived entirely from construction contracts in the PRC, recorded an increase of 26.2% from approximately HK\$21.4 million for the six months ended 30 June 2005 to approximately HK\$27.0 million in the period.

LIQUIDITY AND FINANCIAL RESOURCES

In June 2006, the Company raised approximately HK\$153.9 million before expense by an open offer of 256,431,132 Offer Shares at HK\$0.60 per share on the basis of three Offer Shares for every one share of HK\$0.10 each held to provide additional working capital for the Group.

As at 30 June 2006, the Group had total current assets of approximately HK\$172.6 million (as at 31 December 2005: 22.5 million) while total current liabilities were approximately HK\$19.0 million (as at 31 December 2005: HK\$23.5 million). The current ratio of the Group was 908.4% (as at 31 December 2005: 95.7%). The Group has sufficient funds to settle its debts.

As at 30 June 2006, the Group had total assets of approximately HK\$173.8 million (as at 31 December 2005: HK\$25.8 million). The gearing ratio, calculated by dividing the total debts over its total assets were 10.9% (as at 31 December 2005: 95.7%).

The Group's activities were transacted in Hong Kong dollars and Renminbi. As the exchange rate of Renminbi against Hong Kong dollar remained relatively stable over the years, the Group's exposure to fluctuations in foreign exchange rates is considered to be low and hedging instruments have not been used.

FUTURE PROSPECTS

The directors will continue to focus on the construction and property related sectors in the PRC and will also look for other business opportunities, in particular, in the areas of environmental protection and recycling business in both Hong Kong and the PRC with a view to generating positive cash flow and earnings for the Group.

EMPLOYEES

As at 30 June 2006, the Group had approximately 65 employees (2005: 100 employees) in Hong Kong and the PRC.

During the Period, the Company had complied with the provisions of Rule 3.10(1) and 3.10(2) of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") that sufficient number of independent non-executive directors have been appointed by the Company and that at least one of the them has appropriate professional qualifications or accounting or related financial management expertise.

Furthermore, in compliance with Rule 3.21 of the Listing Rules, an audit committee was established by the Company with written terms of reference to review and supervise the Company's financial reporting process and internal controls.