MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 December 2006, the Group's unaudited turnover was greatly decreased to approximately RMB11.7 million when compared with the corresponding period of year 2005 of approximately RMB104.5 million. It was mainly due to the loss of key customers on the trading of automation products resulting from a setback in the Group's image over certain unexpected incidents suffered by the Group in year 2006. Moreover, the revenue of approximately RMB6 million from the technology project business has not been booked-in for the period pending completion of relevant testing. The unaudited loss attributable to equity shareholders was increased to approximately RMB14.2 million as compared to a loss of approximately RMB13.4 million of the correspondence period of last year. During the period, the Company has successfully accomplished the first phase of recovery to solidify its financial position. After tedious months of negotiations, the Company has resolved the major litigation issues involving the alleged guarantees given by the Group. Now we can move confidently into the next phase of revamping our business growth. The Group intends to focus on three major business fronts: technology, trading and property investment.

Technology *(formerly classified under Project and Technical Services segment)*

The Group has redefined its programmable logic controller ("PLC") automation business strategy. With its proprietary products and availability of its in-house qualified technical team, the Group intends to concentrate on the provision of its own products including project work and consultancy services in particular for the environmental and energy industries. During the period, the Group has entered into contracts amounting to an aggregate sum of approximately RMB30 million for the provision of technical services for certain energy related companies. No turnover on this segment was recognized during the period pending completion of relevant testing on this new project. It is anticipated that the project will be completed before the financial year ending 30 June 2007.

Trading

In view of the Group's expansion in trading business, the distribution of imported automation products on non-project base was reclassified under Trading segment starting from the period under review. The unaudited turnover of this segment for the period under review was drastically decreased by about 88.8% to approximately RMB11.7 million when compared with the corresponding period of year 2005. As mentioned above, it was mainly due to the loss of key customers resulting from a setback in the Group's image over certain unexpected incidents suffered by the Group in year 2006. In the distribution of imported automation products, there are little profit margins left as original equipment suppliers are making direct inroad to the market by setting up their own logistics and are no longer offering attractive price incentive to local distributors. Unless there are significant changes in their marketing policy, imported automation products will be sourced and supplied to the customers as part of the items of project work. However, through the technology business referrals, we are in close contacts with the electric and electronic technology industries. As a result, apart from the automation business, we are able to expand our trading activities into laminate products and related industries' raw material. We have also set up an export division for the sales and export of local electronic products and components.

In its trading business of natural resources, the Group has made a breakthrough in reaching a consensus with a major local supplier and the local authority for a long-term solution that is beneficial to all parties in overcoming technicalities for the supplies and shipments of natural resources from Indonesia. Two shipments of iron ore fine of approximately US$3 million (RMB23 million) under a term contract have been made to the buyer in February 2007. In regard of the supplies of coal, negotiations with the supplier are in progress and barring any unforeseen circumstances, trial shipments of coal are expected to commence in May 2007.

Property investment

During the period, the Group has completed the purchase of a company having a portfolio of seven units of commercial property in Hong Kong and it has almost completed the facade and interior fixtures of the Research and Development Centre ("R&D Centre") in Shenzhen. The properties are expected to give stable rental return for the Group in the coming future.

SIGNIFICANT INVESTMENT

Property under development

Construction work on the R&D Centre, 7-storey building with gross floor area of 17,586 square meters, in Shenzhen has been completed in end 2006. The building is expected to be ready for occupancy in the first half of 2007.

Investment properties

With the completion of the acquisition of Weina Land Limited in end December 2006, the Group has diversified its business to property investment holding which has strengthened the asset and revenue bases of the Group. The investment properties comprise seven units of office premises in Hong Kong with total saleable area of approximately 4,582 sq. ft. At 31 December 2006, all of the above office units, having total carrying value of approximately RMB44.7 million (equivalent to approximately HK$45 million), were leased to independent third parties.

Investment in an associate

In July 2006, a wholly-owned subsidiary of the Company and an independent third party formed a joint-venture company, namely Orient Metro Limited (the “JV Company”), which is owned as to 25% by the Group and 75% by such independent third party. The JV Company together with its subsidiaries will be principally engaged in the provision of technical services (involving provision of equipment, machinery, technical advice and supporting services for excavating mines and the operation and management of mines) and export service (involving marketing, sale and export of the mined products such as iron ore, iron sand, coal and other natural mineral products from Indonesia) to an Indonesian company with local mining licence (“STUT”), other Indonesian mining companies and/or mine owners. During the period, the Company has paid-up its pro-rata share of capital and contributed its portion of shareholders’ loan, in an aggregate sum of US$1.5 million (equivalent to approximately RMB11.6 million), to the JV Company for its operation. It is expected that after the installation of the necessary equipment for STUT, the JV Company’s subsidiaries will be able to start shipment from mid 2007.

MATERIAL ACQUISITION OF SUBSIDIARIES AND ASSOCIATED COMPANIES

At the Company’s extraordinary general meeting held on 28 December 2006, the Sale and Purchase Agreement entered into between the Company and Weina Holdings Limited was approved. Pursuant to the agreement, the Company agreed to acquire 100% equity interest in Weina Land Limited at HK$44 million (equivalent to RMB43.74 million) by the issuance of 110,000,000 convertible redeemable preference A shares at HK$0.4 each to Weina Holdings Limited or its nominees. Upon completion of the acquisition which was taken place on 29 December 2006, Weina Land Limited became a wholly-owned subsidiary of the Company.

During the period, the Group entered into an agreement with an independent third party for the establishment of Orient Metro Limited at a maximum commitment of US$1.5 million (equivalent to approximately RMB11.6 million). Since 17 July 2006, Orient Metro Limited which is owned as to 25% by the Group became an associated company of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2006, the total assets of the Group were RMB217,695,000, an increase by approximately 18.4% as compared to 30 June 2006. At 31 December 2006, the Group had total borrowings of RMB109,632,000 (30 June 2006: RMB107,390,000), approximately RMB89.7 million of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group for a period of six months (i.e. during the first half of year 2007) in order to allow the bank to restructure the outstanding debt into a loan secured against the R&D Centre. Currently, the Group is making periodic principal repayments to the bank and will continue to make repayment in accordance with the finalized debt restructure proposal. At 31 December 2006, the gearing ratio, expressed as a percentage of total borrowings over total assets, was approximately 50.4% (30 June 2006: 58.4%).

At 31 December 2006, the total cash and bank balances of the Group amounted to approximately RMB36,520,000 (30 June 2006: RMB96,765,000). The Group's net current liabilities was approximately RMB94,192,000 (30 June 2006: RMB43,104,000) and the current ratio was about 0.42 (30 June 2006: 0.71). The decrease of the cash and bank balances was materially due to the injection of capital to a PRC subsidiary for the construction of the R&D Centre, the repayment of indebtedness to the creditors, and the Company's investment in the joint-venture company.

Taking into account of the broadening of the revenue base, the finalization of the debt restructuring proposal, the option right granted to the Company on the subscription of additional 100 million convertible redeemable preference shares at HK$0.4 each and the anticipated fund raising activities, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

CAPITAL STRUCTURE, BANK BORROWINGS AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

In December 2006, the Company issued 110,000,000 convertible redeemable preference A shares at HK$0.4 each being payment of consideration for the acquisition of Weina Land Limited. During the six months ended 31 December 2006, there was no change in the issued ordinary share capital of the Company. Details of the share capital are set out in note 17 to the unaudited interim financial statements.

At 31 December 2006, the Group's bank borrowings of approximately RMB110 million was on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of around RMB89.7 million bears fixed interest rate whilst the loan of HK$20 million (approximately RMB19.88 million) bears prevailing market rate. There are no known seasonal factors in our borrowing profiles. Details of the bank loans are set out in note 16 to the unaudited interim financial statements.

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instrument has been used for hedging purposes.

CONTINGENT LIABILITIES

At 31 December 2006, the Company had given corporate guarantee to a PRC bank for securing the term loan granted to a PRC subsidiary and the outstanding loan balance was approximately RMB89,750,000. Moreover, guarantee for the outstanding loan balance of approximately RMB60.7 million, together with interest, was allegedly provided by that PRC subsidiary for securing the loan borrowed by a third party, Shenzhen Ji Hai Industrial Company. Details of contingent liabilities as at 31 December 2006 are set out in note 22 to the unaudited interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON ASSETS

At 31 December 2006, the Group's certain landed properties in Hong Kong with an aggregate net carrying value of approximately RMB14 million (30 June 2006: nil) were pledged to a local bank for securing a revolving loan granted to a subsidiary of the Company.

EMPLOYEE AND REMUNERATION POLICIES

For the six months period ended 31 December 2006, the Group has recorded staff costs of approximately RMB5 million (2005: RMB2.9 million), represented 72% increase when compared with the corresponding period of year 2005. The number of staff has increased from 53 employees (as at 31 December 2005) to 74 employees (as at 31 December 2006). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market prices and his/her contributions to the Group. Incentive schemes comprised of discretionary bonus and other merit payments to reward employees based on performance are also offered. Other employee benefits include mandatory provident fund and medical benefits for its employees in Hong Kong and similar benefits for its employees in the PRC.

LITIGATION

During the period under review, certain litigation with aggregate claim amount of RMB72.4 million were settled among the relevant parties and the Group's guarantee obligation allegedly owed to China Construction Bank, Tongling branch, The Industrial and Commercial bank of China, Tongling branch and The Tongling Economic Technical Development Zone (Group) Company were accordingly released.

Regarding the litigation as to the claim amount of approximately RMB21.6 million, the relevant PRC court has made a decision in favour of the plaintiff in December 2006. Subsequent to the balance sheet date, the relevant PRC subsidiaries of the Company, being the guarantors, have reached a settlement agreement with the bank creditor for the payment of the outstanding indebtedness of approximately RMB15 million. The Company will seek legal advice to demand for the said amount from the borrower in due course.

At 31 December 2006, the relevant PRC court has made a decision in favour of the plaintiff on the litigation as to the outstanding indebtedness of RMB60.7 million borrowed by Shenzhen Ji Hai Industrial Company and allegedly guaranteed by a PRC subsidiary of the Company. The subsidiary has made an appeal against the judgement made by the PRC court and is still waiting for the reply. The said RMB60.7 million has been treated as a contingent liability of the Group for the period under review.

INTERIM DIVIDEND

The Directors do not recommend any payment of interim dividends for the six months period ended 31 December 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

The unexpected litigation and incidents issues have adversely affected the image and business of the Group in year 2006. The new management has conducted thorough investigation on the relevant incidents and issues with the assistance of the professional parties. It has also liaised and negotiated with the concerned parties and creditors on the settlement of the litigation issues and dealt with the downturn of the business.

In order to address the decline in turnover as affected by the incidents, the Group took actions in a timely manner to improve the Company's standing in the marketplace by the raising of new funds to improve its financial position, the settlement of the dispute with the contractor in respect of the construction of the Company's R&D Centre, the injection of income generating Hong Kong properties and the diversification of the Group's business activities. As mentioned above, the Group intends to focus on three major business fronts: technology, trading and property investment.

In the technology sector, the Group will focus and actively engage in the promotion and marketing of its own PLCs as well as engineering project in energy and environmental conservation. The Group's PLCs can be tailored to customers' needs to provide a sophisticated control and monitoring system. In the new R&D Centre, more space will be allotted to the research and development division to provide comprehensive facilities for the development and production of the Group's own automation products and provision of project work and consultancy services. Barring any unforeseen policy change or overheating of the China economy, the Group is positive of the potential development as China is increasing its drive on manufacturing for export, investing in basic industries and in training personnel to operate automation plants.

In order to broaden its scope of business and with the experience of the new management, the Company has started its trading business in natural resources and electronic components for PCB products and will expand its activity to include sales and export of electronic products to the emerging markets. The management believes that there is still a market for such electrical, electronic products and technologies at competitive pricing and product quality. Having said that, the management is cautious about its approach on rapid expansion of this business sector.

From the second half of the financial year ending 30 June 2007, the Company shall receive stable property rental income from the Hong Kong commercial properties acquired by the Group during the period under review. On the other hand, the R&D Centre which is estimated for occupancy in the first half of 2007 will also generate steady property rental income for the Group. To further strengthen the financial position of the Group, the Company intends to exercise the option to raise further amount of HK$40 million by requesting the relevant subscriber to subscribe for additional 100 million convertible redeemable preference shares pursuant to the relevant subscription and option agreement. The Company may also consider the raising of additional funds, as and when it is appropriate, to cater for the future expansion of the Group.

In view of the incidents as disclosed previously, the Company's shares trading has been suspended since mid March 2006. With the completion of the investigation, settlement of the litigation issues and the improvement of the Group's financial position, the Company is seeking for resumption of trading in its shares. The management believes that the resumption of trading in its shares is pivotal for the Group to re-establish its image and provide more opportunities for quality assets expansion and business growth of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2006, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) (1) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (2) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Nature of interests	Number of ordinary shares held	Percentage of total issued shares
Dr. Sze Kwan[1]	Interest of a controlled corporation	126,700,000*	36.20%

1 *Dr. Sze is deemed to be interested in the 126,700,000 Shares by virtue of his controlling interest in Otto Link Technology Limited which is beneficially owned as to 80% by Dr. Sze and 20% by Mr. Siek Fui.*

Save as disclosed above, at 31 December 2006, none of the Directors or the Company's chief executive had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December 2006, neither the Company, holding company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2006, so far as was known to the Directors, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital:

(i) Long position in ordinary shares

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of total issued shares
Otto Link Technology Limited	Registered shareholder	126,700,000	36.20%
Mr. Chak Joaquin Emilio Kin Man	Registered shareholder and beneficial owner	96,824,000	27.66%

(ii) Long position in underlying shares

Name	Capacity and nature of interest	Number of underlying shares	As approximate percentage of total issued ordinary shares
Weina (BVI) Limited ("Weina")[1&2]	Beneficial owner	460,000,000	131.43%
Weina Group Limited ("Weina Group")[3]	Interest of a controlled corporation	460,000,000	131.43%
Mr. Tsim Wing Kong ("Mr. Tsim")[3]	Interest of a controlled corporation	460,000,000	131.43%

1. The Company has entered into the Subscription and Option Agreement on 26 May 2006 with Weina and through such agreement, Weina is interested in 350,000,000 Convertible Redeemable Preference Shares and has the right to convert up to 350,000,000 Ordinary Shares.

2. The Company has entered into a Sale and Purchase Agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (being a nominee of Weina Holdings Limited) is interested in 110,000,000 Convertible Redeemable Preference A Shares and has the right to convert up to 110,000,000 Ordinary Shares.

3. Weina Group owns entire issued capital of Weina and is therefore deemed to have interests in the shares and underlying shares of the Company in which Weina is interested. Mr. Tsim is deemed to be interested in the shares and underlying shares of the Company by virtue of his controlling interest in Weina Group.

Save as disclosed above and so far as was known to the Directors, as at 31 December 2006, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 20 January 2003, the share option scheme adopted by the Company on 22 January 2001 was terminated and a new share option scheme (the "New Scheme") was adopted. The purpose of the New Scheme is to provide incentive and to recognize the contribution of the eligible participants, including directors and employees of the Group, to the growth of the Group and to provide more flexibility to the Group in terms of remunerating the participants.

During the six months ended 31 December 2006, no option was granted, exercised or cancelled by the Company under the New Scheme.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months period ended 31 December 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by the directors of the Company and its subsidiaries in the securities of the Company and its associated companies. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules and the Company's own code of conduct throughout the period from 1 July 2006 to 31 December 2006.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM ACCOUNTS

The Audit Committee currently comprises three independent non-executive directors and a non-executive director of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's unaudited interim financial accounts for the six months ended 31 December 2006 (the "Interim Accounts").

The Interim Accounts have also been reviewed by the Company's external auditors, Moores Rowland Mazars, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public of Accountants. The auditors' independent review report is included in the Report to shareholders.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive directors, a non-executive director and the chief executive officer of the Company The principal roles of the Remuneration Committee are to review the remuneration package, performance-based remuneration and termination compensation of directors and senior management of the Group.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2006.

By Order of the Board
Chan Siu Chu, Debby
Director & Chief Executive Officer

28 March 2007, Hong Kong