

## CHAIRMAN'S STATEMENT

### BUSINESS REVIEW AND PROSPECTS

I am pleased to report that there were significant developments of the Group's core operations in 2006. The Group's revenue, amounted to HK\$616,717,000, rose by 64% when compared to that of 2005 and the Group's gross profit, amounted to HK\$41,336,000, was posting a year-on-year increase of 89% from last year. The sharp increases in the Group's turnover and gross profit were mainly contributed by the business growth of the Group's core operations, namely, power generation and iron ore trading. The Group's 30% owned jointly controlled entity, Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Hong Qiao"), also performed well in 2006. The turnover of Hong Qiao was HK\$526,834,000 in 2006, increased by 10% from 2005 and the Group's share of its profit for the year was HK\$7,782,000, representing an impressive 80% growth from last year. As a whole, the overall financial performance of the Group's core operations, including the jointly controlled entity, was encouraging in 2006. Nevertheless, the Group's overall results in 2006 was adversely affected by two isolated incidents. In April 2007, the Group decided to dispose of its interest in the associate, Xi'an Gaoxin Hospital Co., Ltd. ("Gaoxin Hospital"), for a consideration of HK\$150,000,000. The reasons for the disposal are that Gaoxin Hospital had been making significant losses for the past financial years and that the Group considered it is a good opportunity to realize this investment for cash. An impairment loss of HK\$111,497,000 was recognized by the Group in 2006 by writing down the carrying value of this investment approximate to the fair value of the deferred consideration. The other event which significantly affected the Group's results is that provision for a litigation claim of approximately HK\$89,669,000 was recognized by the Group despite the fact that the ultimate outcome of the litigation cannot be determined with an acceptable degree of certainty at present. The claim is related to an alleged guarantee given to a bank in the People's Republic of China (the "PRC") by two subsidiaries of the Group in favour of a third party. The Group is vigorously opposing the claim and is planning to appeal against a judgment handed down by a PRC Court.

The Company had successfully placed 24,000,000 new shares for a net proceeds of approximately HK\$17.4 million and convertible notes of principal amount of HK\$65 million to investors in January and April 2007, respectively. New proceeds raised from the placings have strengthened the capital structure and enlarged the investor base of the Company. These additional financial resources, together with the proceeds from the disposal of the associate, will be used for further development of the Group's existing businesses and for new investments if suitable opportunities arise.

### APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all our shareholders, bankers, business associates and customers for their continuous support to the Group, and my special thanks to my fellow directors and all staff members for their hard work during the past year.

**Suen Cho Hung, Paul**

*Chairman*

Hong Kong, 4th May, 2007