

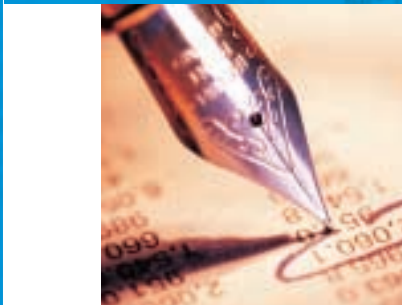


Poly Investments Holdings Limited

Stock Code: 263



Interim Report 2007



POLY INVESTMENTS

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POLY INVESTMENTS HOLDINGS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Suen Cho Hung, Paul (*Chairman*)
Sue Ka Lok (*Chief Executive Officer*)
Cao Jian An
Ng Shin Kwan, Christine

Independent Non-executive Directors

Sun Ka Ziang, Henry
Kwok Ming Fai
Wong Yun Kuen

AUDIT COMMITTEE

Sun Ka Ziang, Henry (*Chairman*)
Kwok Ming Fai
Wong Yun Kuen

REMUNERATION COMMITTEE

Kwok Ming Fai (*Chairman*)
Sun Ka Ziang, Henry
Wong Yun Kuen
Sue Ka Lok

QUALIFIED ACCOUNTANT

Sue Ka Lok

COMPANY SECRETARY

Chan Yuk Yee

REGISTERED OFFICE

Suites 1502-3, 15th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.,
Hong Kong Branch
Standard Bank Asia Limited
China Minsheng Banking Corp., Ltd.
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

PRINCIPAL LEGAL ADVISERS

Richards Butler
Mallesons Stephen Jaques
Tsang, Chan & Wong

AUDITORS

Deloitte Touche Tohmatsu

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock code: 263)

WEBSITE

www.polyinvest.com.hk

MANAGEMENT DISCUSSION AND OUTLOOK

INTERIM RESULTS

For the six months ended 30th June, 2007, the loss attributable to equity holders of the Company was HK\$2,269,000 (2006: HK\$14,612,000) and loss per share was HK1.36 cents (2006: HK12.04 cents, adjusted for the effect of the capital reorganisation which became effective on 23rd January, 2007). The loss of the Group was reduced by HK\$12,343,000, about 84%, when compared to the previous period and was primarily a combined effect of the improved profitability of the Group's financing and securities operation and lowered operating profit of the power generation operation.

BUSINESS REVIEW

Group's Operations

For the first half of 2007, the Group continued to engage in the businesses of power generation, trading of iron ore, provision of finance as well as brokerage and securities investment. The revenue of the Group for the review period was HK\$234,112,000, decreased by about 19% when compared with HK\$287,818,000 in the previous period. The Group's gross profit was HK\$20,952,000, dropped slightly by about 5% from HK\$22,157,000 in the prior period.

The Group's power generation operation comprises two coal-fired power plants in Sanmenxia City, Henan Province, the People's Republic of China (the "PRC") with each having an installed capacity of 50 megawatts. For the first six months of 2007, the on-grid electricity sale of the operation was about 324 million kilowatt-hours (2006: 345 million kilowatt-hours) and generated a revenue of HK\$86,835,000 (2006: HK\$82,775,000). The profit contributed by the operation was HK\$5,148,000, lowered by about 47% when compared with HK\$9,763,000 in the previous period, which was mainly a result of the persistent increases in coal prices throughout the first half of 2007. On 22nd August, 2007, the Group entered into a conditional sale and purchase agreement for the disposal of its entire interest in the power generation operation for a consideration of HK\$130,000,000. The Group considered it is a good opportunity to realize this investment and that additional financial resources create will also enable the Group to pursue other investment opportunities with better return. Details of the disposal are set out in the Company's announcement dated 23rd August, 2007 and the Company's circular dated 11th September, 2007.

The Group's trading operation in iron ore continued to deliver profitable results for the first half of 2007. The revenue and profit of the operation was HK\$122,246,000 (2006: HK\$179,424,000) and HK\$1,254,000 (2006: HK\$1,730,000) respectively, which showed decreases of about 32% and 28% when compared with the same in the previous period. Such decreases were primarily resulting from the wide-fluctuating iron ore prices during the first half of 2007 which posed difficulties on the Group's management in settling deals. Nevertheless, the outlook for the iron ore market in China, where most of Group's customers are located, remains positive and management expects the results of this operation will improve for the remainder of the year.



MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

BUSINESS REVIEW *(Continued)*

Group's Operations (Continued)

The interest income and operating profit generated by the financing operation was HK\$6,070,000 (2006: HK\$1,693,000) and HK\$11,275,000 (2006: HK\$1,692,000) respectively for the review period. Such increases were mainly attributable to the higher average balance of loan advanced to customers when compared to the previous period and the written back of a provision against a doubtful debtor which had fully repaid the amount owed.

The Group's brokerage and securities investment operation recorded a profit of HK\$2,558,000 for the current period as against the loss of HK\$8,917,000 in the previous period. The profit made was mainly contributed by the securities brokerage operation which recorded significant improvement in its results due to the buoyant state of Hong Kong stock market. The management is optimistic that this operation will continue to perform well in the second half of 2007.

The Group disposed of its investment properties in Yuen Long in May 2006 and that the Group's property operation had no activity during the current period.

Jointly Controlled Entity

The Group's 30% owned jointly controlled entity – Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Shanghai Hong Qiao") continued to deliver encouraging results during the review period. For the first half of 2007, the turnover of Shanghai Hong Qiao was approximately HK\$292 million, representing an increase of about 11% from approximately HK\$263 million in the previous period. The Group's share of profit of Shanghai Hong Qiao for the current period was HK\$1,809,000, the decrease of about 53% from HK\$3,867,000 in the previous period was mainly the result that additional depreciation charges were recognized for certain fixed assets of Shanghai Hong Qiao after a reassessment of their useful lives.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30th June, 2007, the Group had current assets of HK\$446,299,000 (at 31st December, 2006: HK\$278,922,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling HK\$88,415,000 (excluding pledged bank deposits and bank balances held under segregated trust accounts) (at 31st December, 2006: HK\$7,958,000).

MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

FINANCIAL REVIEW *(Continued)*

Liquidity, Financial Resources and Capital Structure (Continued)

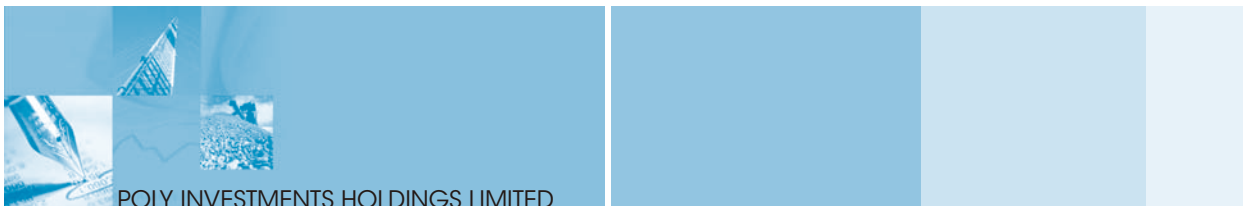
At the period end date, total bank and other borrowings amounted to HK\$231,736,000 (at 31st December, 2006: HK\$266,810,000). Of the total bank and other borrowings, about 98% was due within one year and 2% was due after one year but not exceeding two years. In terms of currency denomination, about 78% 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 was bearing floating and fixed interest rate respectively. A majority of the Group's bank and other borrowings was related to the power generation operation. As referred to above, the Group had entered into a conditional sale and purchase agreement to dispose of its entire interest in the power generation operation, upon completion of the disposal, which is subject to approval from the shareholders of the Company, the bank and other borrowings of the Group will be significantly reduced.

The Group had conducted various fund raising exercises during the review period and a total of approximately HK\$128 million was raised through placings of new shares and convertible notes. At 30th June, 2007, all convertible notes issued were converted into new shares of the Company and the shareholders' funds of the Group was HK\$409,771,000, The Group's shareholders' funds increased by about 56% from HK\$262,650,000 at 31st December, 2006 and was equivalent to a consolidated net asset value of about HK\$1.5 per share of the Company (at 31st December, 2006: HK\$2.2, adjusted for the effect of the capital reorganisation which became effective on 23rd January, 2007). As of the period end date, the gearing ratio calculated on the basis of the Group's bank and other borrowings of HK\$231,736,000 over the total assets of HK\$919,809,000 was at the low level of about 25%.

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, 2007, the Group's property, plant and equipment and bank deposits with an aggregate value of HK\$231,254,000 were pledged to secure credit facilities granted to the Group.

At 30th June, 2007, 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 a subsidiary of the Group had pledged its electricity tariff receivable to the bank to secure banking facilities granted to the Group.

Capital Commitment

At 30th June, 2007, the Group had a commitment of HK\$562,000 in relation to construction work of the power generation operation.

Contingent Liabilities

At 30th June, 2007, financial guarantees totaling approximately HK\$4,057,000 were given by a subsidiary of the Company in respect of banking facilities granted to its suppliers.

EMPLOYEES AND REMUNERATION POLICY

At 30th June, 2007, the Company and its subsidiaries had about 330 employees in Hong Kong and the Mainland. Total staff costs incurred during the period, including director's remuneration, was HK\$5,637,000, which represented a decrease of about 57% from HK\$13,002,000 in the previous period. The decrease in staff costs was mainly due to the cost savings achieved from restructuring the Group's securities brokerage operation. There was no material change to the remuneration policy of the Group from those disclosed in the Company's 2006 Annual Report.

MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

BUSINESS PROSPECTS

The Group's principal businesses in trading of iron ore, provision of finance, and brokerage and securities investment, as well as its jointly controlled entity – Shanghai Hong Qiao had all delivered encouraging performance for the review period. All such business units contributed positively to the Group's results and that the management is optimistic about their performance for the remainder of the year. The sale proceeds to be received from the disposal of interests in the power generation operation will create additional financial resources for the Group. These resources will be used as working capital to support further development of the Group's businesses and for new investments if suitable opportunities arise. The Group is presently evaluating the merits of certain opportunities in minerals and property related projects in the PRC and is currently in discussion for a proposed acquisition of interests in a PRC metal mine. Looking ahead, the Group will continue to focus on improving the performance of its existing businesses and will look for investment opportunities that create value to the Company.



Deloitte.

德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF POLY INVESTMENTS HOLDINGS LIMITED

Introduction

We have reviewed the interim financial information set out on pages 10 to 35, which comprises the condensed consolidated balance sheet of Poly Investments Holdings Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION *(Continued)*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement for the six-month period ended 30th June, 2006 and the comparative condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period ended 30th June, 2006 disclosed in the interim financial information have not been reviewed in accordance with standards applicable to review engagements issued by the Hong Kong Institute of Certified Public Accountants.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25th September, 2007



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

	Notes	Six months ended 30th June,	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Revenue	3	234,112	287,818
Cost of sales		<u>(213,160)</u>	<u>(265,661)</u>
Gross profit		20,952	22,157
Other income		12,942	6,327
Administrative expenses		(22,243)	(28,424)
Loss arising from fair value change in respect of investments held for trading		(76)	(3,620)
Provision for litigation claim		(3,000)	–
Finance costs		(12,459)	(14,727)
Share of profit of an associate		–	2,405
Share of profit of a jointly controlled entity		<u>1,809</u>	<u>3,867</u>
Loss before taxation		(2,075)	(12,015)
Income tax expense	4	<u>(1,565)</u>	<u>(3,025)</u>
Loss for the period	5	<u><u>(3,640)</u></u>	<u><u>(15,040)</u></u>
Attributable to:			
Equity holders of the Company		(2,269)	(14,612)
Minority interests		<u>(1,371)</u>	<u>(428)</u>
		<u><u>(3,640)</u></u>	<u><u>(15,040)</u></u>
Loss per share	7		
– Basic		<u><u>HK(1.36) cents</u></u>	<u><u>HK(12.04) cents</u></u>
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	Notes	30th June, 2007 HK\$'000 (unaudited)	31st December, 2006 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	414,594	414,857
Interest in a jointly controlled entity		35,624	42,963
Prepaid lease payments – non-current portion		8,541	8,767
Available-for-sale investments		9,562	9,562
Deferred tax assets		2,784	3,816
Other assets	9	2,205	2,230
Trading right		200	250
		473,510	482,445
Current assets			
Inventories		10,970	5,195
Trade and other receivables	10	92,297	49,386
Bills receivable	10	–	12,516
Investments held for trading		2,064	5,626
Prepaid lease payments – current portion		908	882
Short-term loans receivable		62,519	24,255
Tax recoverable		7	42
Pledged bank deposits		31,837	25,003
Bank balances held under segregated trust accounts	11	14,346	12,385
Bank balances and cash		86,351	2,332
		301,299	137,622
Interest in an associate held for sale		145,000	141,300
		446,299	278,922



CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

At 30th June, 2007

	Notes	30th June, 2007 HK\$'000 (unaudited)	31st December, 2006 HK\$'000 (audited)
Current liabilities			
Trade and other payables	12	127,179	97,484
Bills payable	12	42,504	29,587
Provision for litigation claims	13	92,669	92,095
Tax payable		10	25
Amount due to a minority shareholder of subsidiaries		11,068	7,524
Bank and other borrowings – due within one year	14	<u>227,936</u>	<u>246,310</u>
		<u>501,366</u>	<u>473,025</u>
Net current liabilities		<u>(55,067)</u>	<u>(194,103)</u>
Total assets less current liabilities		<u>418,443</u>	<u>288,342</u>
Non-current liabilities			
Deferred tax liabilities		4,452	3,861
Bank and other borrowings – due after one year	14	<u>3,800</u>	<u>20,500</u>
		<u>8,252</u>	<u>24,361</u>
		<u>410,191</u>	<u>263,981</u>
Capital and reserves			
Share capital	15	26,766	607,059
Reserves		<u>383,005</u>	<u>(344,409)</u>
Equity attributable to equity holders of the Company		409,771	262,650
Minority interests		<u>420</u>	<u>1,331</u>
		<u>410,191</u>	<u>263,981</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000 (Note 15)	Translation reserve HK\$'000	Convertible notes equity reserve HK\$'000	PRC statutory reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2006	607,058	2,252	6,280	-	-	-	(142,448)	473,142	20,154	493,296
Share of translation reserve of an associate recognised directly in equity	-	-	8,802	-	-	-	-	8,802	-	8,802
Loss for the period	-	-	-	-	-	-	(14,612)	(14,612)	(428)	(15,040)
Total recognised income and expense for the period	-	-	8,802	-	-	-	(14,612)	(5,810)	(428)	(6,238)
At 30th June, 2006	607,058	2,252	15,082	-	-	-	(157,060)	467,332	19,726	487,058
Exchange differences arising on translation of overseas operations	-	-	6,011	-	-	-	-	6,011	2,696	8,707
Share of translation reserve of an associate	-	-	10,969	-	-	-	-	10,969	-	10,969
Share of translation reserve of a jointly controlled entity	-	-	1,857	-	-	-	-	1,857	-	1,857
Net income and expenses recognised directly in equity	-	-	18,837	-	-	-	-	18,837	2,696	21,533
Share of transfer of reserves of an associate	-	-	-	-	507	-	(507)	-	-	-
Loss for the period	-	-	-	-	-	-	(223,520)	(223,520)	(21,091)	(244,611)
Total recognised income and expenses for the period	-	-	18,837	-	507	-	(224,027)	(204,683)	(18,395)	(223,078)
Issue of shares on exercise of share options	1	-	-	-	-	-	-	1	-	1
At 31st December, 2006	607,059	2,252	33,919	-	507	-	(381,087)	262,650	1,331	263,981



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30th June, 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Translation reserve	Convertible notes equity reserve	PRC statutory reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 15)								
Exchange differences arising on translation of overseas operations	-	-	4,212	-	-	-	-	4,212	460	4,672
Share of translation reserve of a jointly controlled entity	-	-	1,389	-	-	-	-	1,389	-	1,389
Net income and expenses recognised directly in equity	-	-	5,601	-	-	-	-	5,601	460	6,061
Loss for the period	-	-	-	-	-	-	(2,269)	(2,269)	(1,371)	(3,640)
Total recognised income and expenses for the period	-	-	5,601	-	-	-	(2,269)	3,332	(911)	2,421
Capital Reorganisation (Note 15)	(594,918)	434,803	-	-	-	-	160,115	-	-	-
Issue of shares	2,400	15,360	-	-	-	-	-	17,760	-	17,760
Transaction costs attributable to issue of shares	-	(282)	-	-	-	-	-	(282)	-	(282)
Recognition of equity-settled share-based payments	-	-	-	-	-	4,519	-	4,519	-	4,519
Issue of shares on exercise of share options	725	12,983	-	-	-	(2,688)	-	11,020	-	11,020
Recognition of equity component of convertible notes	-	-	-	25,111	-	-	-	25,111	-	25,111
Deferred tax liability on recognition of equity component of convertible notes	-	-	-	(4,569)	-	-	-	(4,569)	-	(4,569)
Conversion of convertible notes	11,500	99,272	-	(20,542)	-	-	-	90,230	-	90,230
At 30th June, 2007	26,766	564,388	39,520	-	507	1,831	(223,241)	409,771	420	410,191

Note: During the six months ended 30th June, 2007, the Company undertook a capital reorganisation, details of which are set out in note 15(a) to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(21,839)	(18,734)
Net cash from (used in) investing activities		
Dividend received from a jointly controlled entity	10,538	5,394
Deposit received from disposal of interest in an associate held for sale	3,000	–
Increase in pledged bank deposits	(6,834)	(38)
Purchase of property, plant and equipment	(3,874)	(5,653)
Net proceeds from disposal of investment properties held for sale	–	61,985
Others	802	(265)
	3,632	61,423
Net cash from (used in) financing activities		
Issue of convertible notes	115,000	–
Borrowings raised	45,615	72,733
Proceeds from issue of shares (net of share issue expenses paid)	17,478	–
Proceeds from issue of shares on exercise of share options	11,020	–
Repayment of borrowings	(86,036)	(112,360)
Issue costs of convertible notes paid	(4,432)	–
Others	3,544	(2,558)
	102,189	(42,185)
Net increase in cash and cash equivalents	83,982	504
Cash and cash equivalents at beginning of the period	2,332	25,504
Effect of foreign exchange rate changes	37	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	86,351	26,008



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

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\$55 million at 30th June, 2007. The directors of the Company have been taking steps to improve the liquidity of the Group. As set out in note 21, subsequent to the balance sheet date, the Company issued approximately 82.5 million shares of HK\$0.10 each at an aggregate consideration, net of expenses, of approximately HK\$145.7 million. In addition, the Company intended to place a series of convertible notes of up to an aggregate principal amount of HK\$500 million at any time during the period from 4th April, 2007 to 29th December, 2007. HK\$410 million of such convertible notes had been issued at the date of this report and of which, HK\$115 million had been issued prior to the balance sheet date. In order to further enhance the Group's liquidity and to allow the Group to pursue other investment opportunities with better return, the Group entered into a conditional sale and purchase agreement for the disposal of the Group's entire equity interests in its two power plants at an aggregate consideration of approximately HK\$130 million. The sale and purchase agreement will become unconditional upon the approval of the shareholders of the Company on 23rd October, 2007. 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 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, 2006.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2007.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

2. Principal accounting policies *(Continued)*

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st March, 2007

³ Effective for annual periods beginning on or after 1st January, 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

3. 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, 2007

	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	86,835	122,246	6,070	-	18,961	-	234,112
Inter-segment sales *	-	-	-	-	775	(775)	-
Total	86,835	122,246	6,070	-	19,736	(775)	234,112
RESULTS							
Segment results	5,148	1,254	11,275	-	2,558	-	20,235
Unallocated corporate income							4,196
Unallocated corporate expenses							(12,856)
Provision for litigation claim							(3,000)
Finance costs							(12,459)
Share of profit of a jointly controlled entity							1,809
Loss before taxation							(2,075)
Income tax expense							(1,565)
Loss for the period							(3,640)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

3. Segment Information (Continued)

Business segments (Continued)

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	<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>	2,291
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>

* 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, 2007

4. Income tax expense

	Six months ended 30th June,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax charge	<u>1,565</u>	<u>3,025</u>

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

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiaries established in the PRC engaging in the business of power generation are entitled to a preferential PRC enterprise income tax of 15%. Moreover, they are entitled to exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. These subsidiaries had no assessable profit subject to taxation for the period.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. The new PRC enterprise income tax rates for domestic and foreign enterprises are unified to 25% effective from 1st January, 2008. The New Law also provides preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. The directors of the Company considered that the change in tax rates has no significant effect on the Group's results and financial position and accordingly, no adjustment has been made to the Group's deferred tax balances as at 30th June, 2007.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

5. Loss for the period

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Amortisation (included in administrative expenses) of		
– trading right	50	50
– prepaid lease payments	454	433
Depreciation of property, plant and equipment	15,366	13,460
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)	946	1,906
Cost of inventories recognised as expense	175,353	183,669
Interest income	(802)	(643)
Reversal of allowance of bad and doubtful debts, included in other income	(4,809)	–
	—————	—————

6. Dividends

No dividends were paid during the period (six months ended 30th June, 2006: Nil).

7. 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 six months ended 30th June, 2007 of HK\$2,269,000 (six months ended 30th June, 2006: HK\$14,612,000) and on the weighted average number of 166,504,241 shares in issue during the period (six months ended 30th June, 2006: 121,411,599 shares in issue during the period adjusted for the capital reorganisation as set out in Note 15(a)).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

7. Loss per share (Continued)

No diluted loss per share has been presented for the six months ended 30th June, 2007 as the Company does not assume the conversion/exercise of the Company's convertible notes and share options since their conversion/exercise would result in a decrease in loss per share.

No diluted loss per share has been presented for the six months ended 30th June, 2006 as the Company had no dilutive potential ordinary shares for that period.

8. Movements in property, plant and equipment

During the period, the Group incurred costs for construction in progress of approximately HK\$3 million and other property, plant and equipment at a cost of approximately HK\$1 million for the purpose of expanding the Group's operations.

9. Other assets

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

10. Trade and other receivables/bills receivable

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Trade receivables	51,315	23,885
Other receivables and prepayments	40,982	25,501
	92,297	49,386
Bills receivable	-	12,516
	92,297	61,902

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

10. Trade and other receivables/bills receivable (Continued)

The settlement term 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:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Cash account clients	1,701	1,071
Clearing house	22,134	–
Margin account clients	5,456	6,603
	29,291	7,674

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

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
0 to 60 days	22,024	28,727

11. Bank balances held under segregated trust accounts

As a subsidiary of the Company is principally engaged in the business of securities dealing and brokerage, it receives and holds money deposited by clients and other institutions in the course of the 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 and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

12. Trade and other payables/bills payable

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Trade payables arising from securities dealing business:		
Cash account clients	31,356	10,074
Clearing house	–	1,457
Margin account clients	5,632	1,086
	36,988	12,617
Trade payables and bills payable arising from other businesses:		
0 to 60 days	69,482	46,318
61 to 90 days	1,604	3,411
Over 90 days	27,348	14,182
	98,434	63,911
Other payables	33,287	47,222
Value added tax payables	974	3,321
	34,261	50,543
	169,683	127,071

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

13. Provision for litigation claims

- (a) During the year ended 31st December, 2006, a total of approximately HK\$78.4 million of Henan APD Tian Yuan Power Company Limited's ("Henan APD") and Henan CGL Tian Yuan Power Company Limited's ("Henan CGL") assets, were charged according to a judgment handed down by China's Supreme People's Court on 30th August, 2006 in respect of a litigation involving, among others, Henan APD, Henan CGL, a bank in the PRC (the "Bank") and an independent third party which is in the process of liquidation, for a RMB75 million loan granted by the Bank to the third party where Henan APD and Henan CGL act as guarantors. Having obtained legal advice, the Group is planning to appeal against the judgment and now is at the stage of collation of evidence. The Group's right to appeal will expire two years from the date of the judgment, which is on 30th August, 2008. The ultimate outcome of the appeal cannot presently be determined with an acceptable degree of certainty. Accordingly, the directors of the Company have made full provision of the amount being claimed (including accrued interest) which amounted to approximately HK\$92.7 million (31st December, 2006: HK\$89.7 million) against the litigation in the condensed consolidated financial statements.

Henan APD and Henan CGL are non wholly-owned subsidiaries of the Company. They are engaged in power generation business.

- (b) A subsidiary of the Company was named as a respondent in a shipping dispute. During the six months ended 30th June, 2007, the Group and the plaintiff (the "Plaintiff") entered into a settlement agreement, pursuant to which the Group agreed to settle US\$311,000 (equivalent to approximately HK\$2,426,000) of such claims and the Plaintiff agreed to dismiss the proceedings against the Group upon the receipt of the settlement. Such amount was accrued in the consolidated financial statements of the Company as at 31st December, 2006 and the case had been settled and dismissed during the six months ended 30th June, 2007.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

14. Bank and other borrowings

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Bank loans	158,678	173,984
Other loans	73,058	92,826
	<u>231,736</u>	<u>266,810</u>
Analysed as:		
Secured	219,923	219,984
Unsecured	11,813	46,826
	<u>231,736</u>	<u>266,810</u>

During the period, the Group obtained new bank and other loans amounting to approximately HK\$46 million. 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 of approximately HK\$86 million during the period.

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

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Property, plant and equipment	199,417	159,198
Bank deposits	31,837	25,003
	<u>231,254</u>	<u>184,201</u>

In addition, at 30th June, 2007 and 31st December, 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 facilities granted to the Group. At 30th June, 2007, an amount of HK\$50,000,000 (31st December, 2006: HK\$50,000,000) of such facilities was utilised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

15. Share capital/share premium

	Number of shares	Amount HK\$'000
Authorised:		
At 1st January, 2007 ordinary shares of HK\$0.50 each	1,800,000,000	900,000
Capital reduction (Note (a)(i))	–	(882,000)
Share consolidation (Note (a)(ii))	(1,620,000,000)	–
Increase of ordinary shares of HK\$0.10 each (Note (a)(iii))	<u>8,820,000,000</u>	<u>882,000</u>
At 30th June, 2007 ordinary shares of HK\$0.10 each	<u><u>9,000,000,000</u></u>	<u><u>900,000</u></u>
Issued and fully paid:		
At 1st January, 2007 ordinary shares of HK\$0.50 each	1,214,117,000	607,059
Capital reduction (Note (a)(i))	–	(594,918)
Share consolidation (Note (a)(ii))	(1,092,705,300)	–
Issue of shares (Note (b))	24,000,000	2,400
Issue of shares on exercise of share options (Note (c))	7,250,000	725
Issue of shares on conversion of convertible notes (Note (d))	<u>115,000,000</u>	<u>11,500</u>
At 30th June, 2007 ordinary shares of HK\$0.10 each	<u><u>267,661,700</u></u>	<u><u>26,766</u></u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

15. Share capital/share premium *(Continued)*

Details of the changes in the Company's share capital for the six months ended 30th June, 2007 are as follows:

- (a) The Company's capital reorganisation became effective on 23rd January, 2007 after the sanction of the proposed capital reduction and share premium account reduction of the Company by the High Court of Hong Kong ("High Court") on 19th January, 2007. Pursuant to the High Court Order, the capital reorganisation of the Company ("Capital Reorganisation") involved:
 - (i) the authorised share capital of the Company reduced from HK\$900,000,000 divided into 1,800,000,000 shares of HK\$0.50 each to HK\$18,000,000 divided into 1,800,000,000 shares of HK\$0.01 each and that such reduction was effected by cancelling capital paid up or credited as paid up to the extent of HK\$0.49 per share upon each of the shares which were in issue immediately before the Capital Reorganisation became effective and by reducing the nominal value of all the issued and unissued shares in the capital of the Company from HK\$0.50 to HK\$0.01 per share ("Capital Reduction").
 - (ii) every 10 shares of such 1,800,000,000 shares of HK\$0.01 each were consolidated into 1 share of HK\$0.10 each.
 - (iii) the authorised share capital of the Company was increased to HK\$900,000,000 by the creation of 8,820,000,000 new shares of HK\$0.10 each.
 - (iv) the share premium account of the Company was reduced to zero ("Share Premium Account Reduction") and the credit of HK\$2,252,000 arising from such reduction was set off against accumulated losses of the Company.
 - (v) the credit of HK\$157,863,000 arising from the Capital Reduction was set off against accumulated losses of the Company and the balance of HK\$437,055,000 was credited to the share premium account of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

15. Share capital/share premium *(Continued)*

The Company has given the following undertakings to the High Court in respect of the Capital Reduction and Share Premium Account Reduction:

1. So long as there shall remain outstanding any debt of or claim against the Company which would be admissible to proof in a winding-up of the Company commencing on the day on which the Capital Reduction and Share Premium Account Reduction take effect ("the effective date") and the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, in the event of its making any future recoveries in respect of the identified list of assets (the "Assets"), in respect of which provision for diminution in value was made in the accounts of the Company during the loss-making years/periods for the financial years/periods from the year ended 31st March, 1992 to the six months ended 30th June, 2006, beyond their written down value as stated in the Company's management accounts as at 30th June, 2006, all such recoveries beyond that written down value up to an amount of HK\$84,095,000 ("the limit"), will be credited to a special capital reserve in the accounting records of the Company ("Capital Recovery Reserve") and such reserve shall not be treated as realised profits of the Company for the purposes of section 79B of the Hong Kong Companies Ordinance (Cap. 32) and shall be treated as an undistributable reserve of the Company for the purposes of section 79C of the Hong Kong Companies Ordinance (Cap. 32), or any statutory reenactments or modifications thereof provided that:
 - (1) the Company shall be at liberty to apply the Capital Recovery Reserve for the same purposes as a share premium account may be applied;
 - (2) the limit in respect of the Capital Recovery Reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as the result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits;
 - (3) the limit in respect of the Capital Recovery Reserve may be reduced upon the disposal or other realisation, after the effective date, of any of the Assets by the amount of the provision made in relation to such asset as at 30th June, 2006 less such amount, if any, as is credited to the Capital Recovery Reserve as a result of such disposal or realisation; and



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

15. Share capital/share premium *(Continued)*

- (4) in the event that the amount standing to the credit of the Capital Recovery Reserve exceeds the limit thereof after any reduction of such limit pursuant to provisos (2) and/or (3) above, the Company shall be at liberty to add the amount of any such excess to the retained profits of the Company and the same shall become available for distribution or to use any such excess to offset the accumulated losses of the Company, as the case may be.

2. The amount of approximately HK\$437,055,000, representing the amount by which the total credit arising from the Capital Reduction and the Share Premium Account Reduction, exceeds the total accumulated losses of the Company as at 30th June, 2006, will be credited to the Share Premium Account of the Company.

And the Company further undertook that, for so long as the undertakings set out above remain effective, it will:

- (1) cause or procure its statutory auditor to report by way of a note or otherwise a summary of such undertakings in its audited financial statements or in the accounts of the Company published in any other form; and
- (2) publish or cause to be published in any prospectus issued by or on behalf of the Company a summary of such undertakings.

Further details of the Capital Reorganisation are set out in the Company's announcements dated 28th September, 2006, 21st December, 2006 and 19th January, 2007 and the Company's circular dated 16th October, 2006.

- (b) On 8th February, 2007, the Company issued 24,000,000 new shares of HK\$0.10 each at an issue price of HK\$0.74 per share. These shares issued rank pari passu in all respects with the then existing shares.
- (c) During the six months ended 30th June, 2007, the Company issued 7,250,000 shares of HK\$0.10 each at an issue price of HK\$1.52 per share on exercise of share options which were granted on 23rd March, 2007. Details of share options are set out in note 16. These shares issued rank pari passu in all respects with the then existing shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

15. Share capital/share premium *(Continued)*

- (d) During the six months ended 30th June, 2007, convertible notes of the Company in the aggregate principal amount of HK\$115,000,000 were converted into 115,000,000 shares of HK\$0.10 each of the Company at a conversion price of HK\$1.00 per share. These shares issued rank *pari passu* in all respects with the then existing shares. Details of the convertible notes are set out in note 17.

16. Share-based payments

The Company has a share option scheme for eligible employees of the Group. In the current period, share options for 11,910,000 shares and 231,000 shares were granted on 23rd March, 2007 and 23rd May, 2007 respectively. The fair values of the options determined at the dates of grant using the Black-Scholes option pricing model were HK\$4,416,000 and HK\$103,000, respectively.

The closing prices of the Company's shares immediately before 23rd March, 2007 and 23rd May, 2007, the dates of grant of the options, were HK\$1.49 and HK\$1.34 respectively.

The closing price of the Company's shares immediately before the date on which the options were exercised during the six months ended 30th June, 2007 was HK\$1.62.

The following assumptions were used to calculate the fair values of share options:

	23rd March, 2007	23rd May, 2007
Grant date share price	HK\$1.42	HK\$1.50
Exercisable period	10 years	10 years
Exercise price	HK\$1.52	HK\$1.52
Expected life	0.5 year	0.5 year
Expected volatility	110.31%	107.30%
Dividend yield	0%	0%
Risk-free interest rate	3.659%	3.825%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The expected life of the options was determined with reference to the historical share price records of the Company and the expected volatility was determined with reference to the historical volatilities of the share prices of the Company over the period that is equal to the expected life of the options before the grant date.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

17. Convertible notes

On 16th February, 2007, the Company entered into an agreement with GT Capital Limited ("GT Capital"), a wholly-owned subsidiary of the Company, to place a series of convertibles notes of up to an aggregate principal amount of HK\$500 million to be issued by the Company ("Convertible Notes"). The Company agreed that GT Capital may, at any time during the period from 4th April 2007 to 29th December, 2007, require the Convertible Notes to be issued in up to ten separate tranches with the principal amount of the Convertible Notes comprised in each tranche to be not less than HK\$50 million and the maximum aggregate principal amount for all tranches not to exceed HK\$500 million.

The Convertible Notes will bear interest at the rate of 2% per annum and the holders of the Convertible Notes ("Noteholders") can convert the outstanding principal amount of each convertible notes in whole or in part (in a denomination of HK\$5,000,000 or integral multiples thereof) into shares of the Company. The Convertible Notes carry a right to convert at any time from the date of issue until the date falling seven days prior to (and excluding) the third anniversary following the relevant date of issue into ordinary shares of the Company at an initial conversion price of HK\$1.00 per share, subject to adjustments.

The Company may on giving to all Noteholders written notice of redemption in whole or in part of the Convertible Notes during a period from the first anniversary of the date of issue until the day falling seven days prior to (and excluding) third anniversary following the relevant date of issue at 105% of the principal amount of the outstanding convertible notes if the redemption notice is served after the first anniversary but before the second anniversary of the date of issue of the convertible notes and 110% of the principal amount of the outstanding convertible notes if the redemption notice is served after the second anniversary but before the day falling seven days before (and excluding) the third anniversary of the date of issue of the convertible notes. The directors consider that the fair value of the redemption option is insignificant on initial recognition.

On 26th April, 2007 and 4th June, 2007, the Company issued HK\$65,000,000 and HK\$50,000,000 Convertible Notes which are due in April 2010 and June 2010, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

17. Convertible notes (Continued)

The movements of the liability component of the Convertible Notes for the period are set out below:

	<i>HK\$'000</i>
Liability component upon issuance during the period	85,457
Conversion during the period	(85,661)
Interest charged	266
Interest accrued	<u>(62)</u>
Liability component at 30th June, 2007	<u><u>–</u></u>

All convertible notes issued during the six months ended 30th June, 2007 were fully converted and no convertible notes were outstanding as at the balance sheet date.

18. Capital commitment

	30th June, 2007	31st December, 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>562</u>	<u>1,147</u>

19. Other restriction of assets

During the year ended 31st December, 2004, the Group entered into a long-term bank loan agreement. Pursuant to the terms of this agreement, a subsidiary of the Company engaged in the power generation business has pledged its electricity tariff receivable to a bank to secure banking facilities granted to the Group. At 30th June, 2007, the amount of tariff receivable pledged was HK\$11,095,000 (31st December, 2006: HK\$4,665,000).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

20. Contingent liabilities

At 30th June, 2007, the directors of the Company considered that the fair value of the financial guarantees given to banks in respect of banking facilities at an aggregate amount of HK\$4,057,000 (31st December, 2006: HK\$4,000,000) utilised by an outside supplier and an outsider party is insignificant.

21. Post balance sheet events

- (a) On 24th April, 2007, the Group entered into a conditional sale and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in Success Harbour International Limited, a non wholly-owned subsidiary of the Company, which holds 46.29% equity interest in Xi'an Gaoxin Hospital Co., Ltd., a company engaged in the provision of hospital services and investment, and the assignment of shareholder's loan in the principal amount of approximately HK\$315 million at an aggregate consideration of HK\$150 million. The sale and purchase agreement became unconditional upon the approval of the shareholders of the Company on 29th June, 2007. The transaction was completed on 25th July, 2007. Details of the disposal are set out in the Company's announcement dated 26th April, 2007 and the Company's circular dated 12th June, 2007.
- (b) On 27th June, 2007, the Company entered into an agreement with an independent third party placing agent in relation to the placing of up to 29,000,000 new shares of HK\$0.10 each in the Company to six places who are independent individuals and institutional investors at a price of HK\$2.30 per share (the "Placing"). The Placing was completed subsequent to the balance sheet date. The net proceeds from the Placing was approximately HK\$65.5 million and will be used for general working capital purposes and/or for investments including possible investments opportunities in minerals and natural resources projects in the PRC. Details of the Placing are set out in the Company's announcement dated 28th June, 2007.
- (c) On 27th July, 2007, the Company further issued HK\$295 million Convertible Notes in which principal amount of HK\$260,000,000 has been converted into 260,000,000 shares at the conversion price of HK\$1.00 per share as at the date of this report. HK\$60 million of these Convertible Notes were issued to Oriental Genesis Limited ("Oriental Genesis"), a company indirectly wholly-owned by Mr. Suen Cho Hung, Paul, an executive director and the Chairman of the Company, and were fully converted as at the date of this report.

Details of the Convertible Notes are set out in the Company's announcements dated 26th February, 2007, 4th April, 2007, 26th April, 2007, 4th June, 2007 and 27th July, 2007 and the Company's circular dated 19th March, 2007.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

21. Post balance sheet events *(Continued)*

- (d) On 22nd August, 2007, the Group entered into a conditional sale and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in Poly Power Group Limited, a wholly-owned subsidiary of the Company, which holds 80% equity interests in Henan APD and Henan CGL, and the assignment of shareholder's loan in the principal amount of approximately HK\$169 million at an aggregate consideration of HK\$130 million. The sale and purchase agreement will become unconditional upon the approval of the shareholders of the Company on 23rd October, 2007. Details of the disposal are set out in the Company's announcement dated 23rd August, 2007 and the Company's circular dated 11th September, 2007.
- (e) On 7th September, 2007, Oriental Genesis agreed to place 53,528,000 existing shares of HK\$0.10 each in the Company to independent investors at a price of HK\$1.53 per share and Oriental Genesis agreed to subscribe the same number of new shares of HK\$0.10 each in the Company at a price of HK\$1.53 per share in accordance with the placing and subscription agreement entered into between the parties (the "Top-Up Placing"). The Top-Up Placing was completed as at the date of this report. The net proceeds from the Top-Up Placing was approximately HK\$80.2 million and will be used for general working capital to support future businesses development of the Group and if suitable investment opportunities arise to make new investments. Details of the Top-Up Placing are set out in the Company's announcement dated 7th September, 2007.



OTHER INFORMATION

INTERIM DIVIDEND

The Company had no distributable reserve as at 30th June, 2007. The directors of the Company have resolved not to declare an interim dividend for the six months ended 30th June, 2007 (six months ended 30th June, 2006: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2007, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Suen Cho Hung, Paul	Interest held by controlled corporation	35,815,774 (Note 1)	–	–	–
	Beneficial owner	1,450,000	–	37,265,774	13.92%
Sue Ka Lok	Beneficial owner	1,450,000	–	1,450,000	0.54%
Sun Ka Ziang, Henry	Beneficial owner	–	50,000 (Note 2 and 3)	50,000	0.02%
Kwok Ming Fai	Beneficial owner	–	50,000 (Note 2 and 3)	50,000	0.02%
Wong Yun Kuen	Beneficial owner	–	50,000 (Note 2 and 3)	50,000	0.02%

OTHER INFORMATION *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

Notes:

- 1) These shares are beneficially owned by Top Media Resources Limited, a company which is wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul.
- 2) This represents the interests of Mr. Sun Ka Ziang, Henry, Mr. Kwok Ming Fai and Dr. Wong Yun Kuen who each interested in 50,000 underlying shares issuable under the share options granted by the Company to them under the Share Option Scheme as set out in the section headed "SHARE OPTION SCHEME".
- 3) The share options were granted to each of the directors under the Share Option Scheme. The consideration paid by each director on acceptance of the option granted was HK\$1.00. The exercise price of the options are HK\$1.52 per share and the exercise period is between 23rd March, 2007 and 22nd March, 2017 (both days inclusive).

Save as disclosed above, at 30th June, 2007, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The share option scheme of the Company was approved and adopted by the shareholders of the Company at the extraordinary general meeting held on 8th November, 2006 (the "Share Option Scheme").



OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME *(Continued)*

Movement of the share options under the Share Option Scheme during the six months period ended 30th June, 2007 were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per share	Outstanding at 1st January, 2007	Number of share options		
					Granted during the period	Exercised during the period	Outstanding at 30th June, 2007
Directors							
Suen Cho Hung, Paul	23.3.2007	23.3.2007 – 22.3.2017	1.52	0	1,450,000	1,450,000	0
Sue Ka Lok	23.3.2007	23.3.2007 – 22.3.2017	1.52	0	1,450,000	1,450,000	0
Sun Ka Ziang, Henry	23.3.2007	23.3.2007 – 22.3.2017	1.52	0	50,000	0	50,000
Kwok Ming Fai	23.3.2007	23.3.2007 – 22.3.2017	1.52	0	50,000	0	50,000
Wong Yun Kuen	23.3.2007	23.3.2007 – 22.3.2017	1.52	0	50,000	0	50,000
Subtotal:				0	3,050,000	2,900,000	150,000
Other employees in aggregate	23.3.2007	23.3.2007 – 22.3.2017	1.52	0	8,860,000	4,350,000	4,510,000
	23.5.2007	23.5.2007– 22.5.2017	1.52	0	231,000	0	231,000
Subtotal:				0	9,091,000	4,350,000	4,741,000
Total:				0	12,141,000	7,250,000	4,891,000

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME *(Continued)*

Notes:

- (1) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options were granted on 23rd March, 2007 was HK\$1.49.
- (2) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options were granted on 23rd May, 2007 was HK\$1.34.
- (3) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options were exercised was HK\$1.62.
- (4) There was no vesting period for the share options granted during the six months period ended 30th June, 2007.
- (5) There were no share options cancelled or lapsed during the six months period ended 30th June, 2007.
- (6) The fair value of share options granted during the six months period ended 30th June, 2007 in the amount of approximately HK\$4,519,000 was recognized as expenses in the income statement of the Company in accordance with its accounting policy as set out in the annual report of the Company for the year ended 31st December, 2006. The Company has used the Black-Scholes option pricing model (the "Model") to value the share options granted during the six months period ended 30th June, 2007. The major assumptions of the Model are set out in note 16 to the condensed consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "SHARE OPTION SCHEME" above, at no time during the six months ended 30th June, 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the directors 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 or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.



OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30th June, 2007, the register of interest kept by the Company under section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

(a) *Long Position*

Name of shareholder	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
DKR Capital Inc.	Interest held by controlled corporation	4,186,000	40,000,000 <i>(Note 1)</i>	44,186,000	16.51%
DKR Capital Partners LP	Interest held by controlled corporation	4,186,000	40,000,000 <i>(Note 1)</i>	44,186,000	16.51%
DKR Management Co. Inc.	Interest held by controlled corporation	4,186,000	40,000,000 <i>(Note 1)</i>	44,186,000	16.51%
DKR Oasis Management Co. LP	Investment manager	4,186,000	40,000,000 <i>(Note 1)</i>	44,186,000	16.51%
DKR SoundShore Oasis Holding Fund Ltd.	Beneficial owner	4,186,000	40,000,000	44,186,000	16.51%
Oasis Management Holdings LLC	Interest held by controlled corporation	4,186,000	40,000,000 <i>(Note 1)</i>	44,186,000	16.51%
Suen Cho Hung, Paul	Interest held by controlled corporation	35,815,774 <i>(Note 2)</i>	–	–	–
	Beneficial owner	1,450,000	–	37,265,774	13.92%

OTHER INFORMATION *(Continued)***INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO** *(Continued)**(a) Long Position (Continued)*

Name of shareholder	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
All Sino Resources Limited	Interest held by controlled corporation	35,815,774 <i>(Note 2)</i>	–	35,815,774	13.38%
Top Media Resources Limited	Beneficial owner	35,815,774 <i>(Note 2)</i>	–	35,815,774	13.38%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	18,000,000	–	–	–
	Beneficial Owner	100,000	–	18,100,000	6.76%
Galaxy China Opportunities Fund	Beneficial Owner	31,900,000	–	31,900,000	11.92%

Notes:

- 1) This refers to the same parcel of interest in 4,186,000 shares and 40,000,000 underlying shares held by DKR SoundShore Oasis Holding Fund Ltd.
- 2) Top Media Resources Limited is wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited are deemed to be interested in 35,815,774 shares under the SFO.



OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

(b) *Short position*

Name of shareholder	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Deutsche Bank Aktiengesellschaft	Beneficial Owner	–	100,000	100,000	0.04%

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 30th June, 2007 as required pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2007.

CORPORATE GOVERNANCE

The condensed consolidated financial statements of the Company for the six months ended 30th June, 2007 have not been audited, but have been reviewed by the Audit Committee and external auditors of the Company.

The Company had complied throughout the six months ended 30th June, 2007 with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30th June, 2007.

By Order of the Board
Sue Ka Lok
Chief Executive Officer

Hong Kong, 25th September, 2007