

## FINANCIAL RESULTS

For the year ended 31 December 2005, the Group's audited consolidated loss before minority interests was HK\$46 million (the corresponding period: profit of HK\$100 million). Loss per share was HK\$2.7 cents. The Group's turnover was HK\$254 million, 20% higher than the corresponding period as sales revenue from one of the Group's major business, a Beijing residential project, was partially recognized, and gross profit also increased to HK\$11 million compared to HK\$1 million in the corresponding period. In the meantime, affected by the continue recession of cement industry in the PRC, our strategic investment Suzhou Nanda recorded a decrease in turnover and an HK\$24 million impairment loss on plant and equipment as some of its production facilities were terminated.

During the year, the Group continued to implement strict financial and cost control measures to control total administrative and operating expense.

## BUSINESS REVIEW

### Property Development

The Group acquired a 70% interest of a residential development project located in Beijing from CCHC in 2004 and has become the Group's key business driver in 2005. The project construction was completed on schedule in October 2005. Taking the opportunity of an increasing commercial residential market price and a decrease in transaction volume in Beijing, the Group sold all residential units of the project during the period and has delivered the properties to most of the buyers in first quarter of 2006 according to the terms of sales agreement. Most of the project's revenue and profit will be recognized in 2006.

### Property Investments

Through recovering of a non-performing debt, the Group acquired its wholly-owned subsidiary, Merry World Associates Limited ("Merry World"), in 2003 which owns Property A and Property C of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou City, Guangdong, the PRC ("Property A" and "Property C" respectively). Merry World entered into property right litigations in 2004 and 2005 and amid an unfavorable litigation position, Merry World entered into two settlement agreements with Guangzhou Sui Nan Building Development Limited ("the Plaintiff") on 1 March 2006, where the Plaintiff and Merry World will each hold the title and right of receipt of Property A and Property C respectively. The entering into the settlement agreements enables the Group to retain Property C despite the dismissed appeal. Management of the Group has already made a provision of HK\$33 million on this legal claim in year 2004 and a further HK\$9 million provision was made this year. After entering into the settlement agreements, Property C is expected to contribute positive cash flow to the Group in 2006.

In January 2006, the Group through a wholly owned subsidiary has entered into a disposal agreement pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire shareholding and the shareholder's loan of Price Sales Limited, a wholly owned subsidiary of the Company which owned an indirect investment interest in a Grade A office building located in Shanghai for US\$24.7 million (equivalent to approximately HK\$193 million). The Group's current asset will increase substantially after completion of the disposal agreement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Strategic Investments

During the period, affected by an overall unfavorable cement industry in Mainland China, Suzhou Nanda has recorded a turnover of HK\$46 million (the corresponding period: HK\$82 million) and an operating loss of approximately HK\$6 million. Suzhou Nanda also recorded a one time charge of impairment loss on property, plant and equipment due to termination of certain production facilities. The management of Suzhou Nanda has implemented a series of measures to control cost including substantial reduction of headcount and management's salary to minimize loss. Suzhou Nanda's operation has recently improved as the cement market of the PRC was stabilized.

### Trading Business

Trading business recorded a turnover of HK\$93 million. Since trading business only contributed to the Group minimal operating profit, to cope with the Group's strategic changes, general trading business was temporarily ceased starting in 2006 in order to concentrate our resources on core business.

### Financial Position

During the year financial position of the Group continued to improve as result of a strong sales progress of the Beijing residential project, the Group's stringent financial management as well as conservative and reasonable cash management. Both net current assets and liquidity improved compare to 2004. As at 31 December 2005, the Group had net current assets of HK\$149 million (31 December 2004: HK\$96 million) and cash and bank balance of HK\$115 million (31 December 2004: HK\$86 million). The Group will continue to employ conservative and sound financial planning, ensuring a solid financial position to support future growth of the Company.

## PROSPECTS

During the year, the Group's property development business initiated a good start by completing its residential property development project in Beijing. The Group expected that demand for commercial and residential development and logistics property in Mainland China will continue to grow driven by a continue and rapid increase in residence income and urbanization process. This demand will bring enormous business opportunity to the Group's future development.

CCHC, the Group's ultimate controlling shareholder is the largest integrated warehousing logistics service enterprise in Mainland China, and has been selected by SASAC of the State Council as the pilot state-owned asset operating company, which will assume significant role in the restructuring of pillar state-owned enterprises. During the period SASAC has assigned a few factories from a few pillar state-owned enterprises to CCHC for manage their assets. Under this circumstance, the Group will take advantage of CCHC's asset management and warehousing logistics resources, and continue to dispose non-core business asset in order to concentrate our resource to fully expand property and land resources development business.

### Pledge of Assets

As at 31 December 2005, the Group's plant and machinery with aggregate carrying value of approximately HK\$9 million and no property under development has been pledged as securities for the Group's borrowing and banking facilities.

### Gearing Ratio

As at 31 December 2005, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK\$44 million and total assets of approximately HK\$694 million was 0.06.

### Liquidity and Capital Resources

At 31 December 2005, the Group had current assets and current liabilities of HK\$552 million and HK\$403 million respectively (31 December 2004: HK\$291 million and HK\$195 million respectively). The Group had cash and bank balances amounting to HK\$115 million as at 31 December 2005 (31 December 2004: HK\$86 million).

At 31 December 2005, the Group had no bank borrowings secured on certain properties owned by the Group. (31 December 2004: HK\$111 million) The Group had unsecured other loans of HK\$7 million (31 December 2004: HK\$7 million). The bank loans together with other loans of approximately HK\$4 million are carrying interest at commercial rates while the remaining other loans are unsecured and interest free. The maturity profile of bank borrowings were nil for current year (31 December 2004: HK\$17 million falling within one year, HK\$94 million falling between two to five years).

The Company has not issued any additional share during the year ended 31 December 2005 (the corresponding period: nil).

### Treasury Policy

The business activities of the Group were funded by bank borrowings, secured loans and cash generated from operating activities. The Group considers that fluctuations in exchange rates and market prices do not impose a significant risk to the Group since the level of foreign currency exposure is relatively immaterial as compared with its total assets value or outstanding debts.

### Human Resources

At 31 December 2005, the Group employed a total of 203 employees, of which 14 were based in Hong Kong and 189 in the PRC. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

### DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 December 2005 (nine months ended 31 December 2004: nil).