OVERALL PERFORMANCE

During the year under review, with the progressive payments from CNC under the agreement dated 23 December 2003 and the effective management of the Board, the Group succeeds to control of the funds as well as maintain the smooth progress of the construction of China Securities Plaza.

Furthermore, the management was successfully in entering the agreements with our banker and creditors to extend the existing loans and strengthen the financial position. Efforts are spent to identify new investment projects with a view to expand its income streams.

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

Trading in shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 30 December 2003, pending the release of an announcement by the Company regarding a major transaction relating to China Securities Plaza. The Stock Exchange also questioned whether the Company had a sufficient level of assets and operations. The Board is now working closely with the Stock Exchange by submitting all the required information, with an aim of complying with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and enabling the continued listing of its shares on the Stock Exchange. As at the date of this report, the Stock Exchange still considers that the Group has not fully addressed the issues raised. As such, the Group continues to discuss with the Stock Exchange in this respect.

FINANCIAL REVIEW

Results

In 2005, the Group's has no turnover since China Securities Plaza was still under development, neither profit nor turnover was therefore recognised. The Group's net loss for the year was approximately HK$21,026,000 (2004: net profit of HK$136,993,000). The basic loss per share for the year was 7.7 HK cents (2004: earnings per share of 50.4 HK cents).

Administrative expenses of HK$14,966,000 in 2005 represented a decrease of 56% over 2004. The improvement was mainly due to reduction on expenses in subsidiaries disposed in 2004. Finance costs of HK$6,685,000 represented mainly interest expenses on other borrowings, the interest rate changed from 6% to 10%.

Liquidity, Financial Resources and Funding Requirements

The financial position of the Group has been worsening because neither profit nor turnover was recognised during the year. As at 31 December 2005, the net liabilities of the Group increased by 12% to HK$166,417,000 from HK$148,859,000 as at 31 December 2004.

The liquidity of the Group has improved because cash consideration from CNC of HK$712,683,000 has been received during the year. As at 31 December 2005, the cash and bank balances increased by approximately HK$25,890,000 and the current ratio (current assets/ current liabilities) was 0.92 (as at 31 December 2004: 0.89).

As at 31 December 2005, the Group's bank borrowings amounted to approximately RMB170,000,000 equivalent to approximately HK$163,462,000 (2004: approximately RMB300,000,000 equivalent to approximately HK$280,374,000), are secured and repayable within one year.

Other borrowings of HK$210,000,000 (2004: HK$210,000,000) as at 31 December 2005 are repayable within one year. The loan of HK$165,000,000, secured on the shares in the Company held by a director and a former director, (2004: HK$165,000,000) was interest free before 1 July 2005 and extended the repayment date up to 31 December 2005 into two portions : (i) repayment by cash amounting to HK$55,000,000 was interest bearing at 10% per annum; (ii) the balance of which amounting to HK$110,000,000 will transfer such aggregate appraisal value of property to the borrower. Other unsecured loan of HK$45,000,000 (2004: HK$45,000,000) was interest bearing increased from 6% per annum to 10% per annum since 1 July 2005.

Gearing Ratio

The gearing ratio (total debts/ total assets of the Group) was 0.20 as at 31 December 2005 (as at 31 December 2004: 0.40). This ratio was lower than the gearing ratio of last year mainly due to strong cashflow generated from CNC advance payment.

Exchange Risks

The majority of the Group's operations are located in the PRC and the main operational currencies are Hong Kong Dollars and Renminbi. However, the board believes that foreign exchange risks are minimal as Renminbi is relatively stable against Hong Kong Dollars. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimize the foreign exchange risk and exposure.

Pledge Assets

As at 31 December 2005, the Group pledged the property under development for sale with an aggregate net book value of approximately HK$1,565,000,000 (2004: HK$948,000,000) to secure bank loans granted and amounts payable in respect of respective land development cost totalling approximately HK$191,000,000 (2004: HK$307,000,000).

Contingent Liabilities

In October 2002, one of the creditors of the Group filed a notice of arbitration against the Group's PRC subsidiary holding the property for development for sale for a total amount of approximately RMB290,000,000, which relates to certain land development cost for the property of approximately RMB222,000,000 and interest penalty of approximately RMB68,000,000. A court order against the Group's PRC subsidiary was issued on 22 October 2002 either to freeze its bank deposits or to attach its assets for an amount up to RMB50,000,000. The Group has entered into a settlement agreement (the "Agreement") and rescheduled the outstanding amounts payable to the creditor. The rescheduled payment has been executed in accordance with the terms of the Agreement and therefore the directors are confident that the Group is not liable to pay the aforesaid interest penalty of approximately RMB68,000,000 according to the Agreement.

The Group has given guarantees to banks in respect of the loans of the amounts USD2,500,000 and RMB14,000,000 granted to Beijing New Rank Real Estate Development Co., Limited, a former subsidiary of the Group.

On 23 December 2003, the Group had entered into an agreement with a CNC for the construction of China Securities Plaza. Pursuant to the agreement, the construction should be completed on 30 June 2005 and its ownership should be delivered to CNC before 30 December 2005. Relevant penalties will be required upon the late delivery of ownership as follows:

i. 0.03% interest per day based on money received by the Group upon the late delivery within 90 days from 30 December 2005;

ii. if the late delivery will be more than 90 days from 30 December 2005, CNC will have a right to either terminate the agreement and PRC subsidiary will be required to return all moneys received without interest and pay damages at the rate of 10% of the money received within 30 days upon receiving notice from CNC; or require PRC subsidiary to pay damages at 0.03% interest per day of the moneys received for the period from 30 December 2005 to the date of delivery.

Prospects

The continued growth of the economy of China has contributed a great opportunity for investment. In order to strengthen the financial position of the Group, the management is expected to diversify the businesses and expanse its revenue base in future. The management is confident that the Group will continue to expand its business operation in the PRC and maximizing returns to shareholders.

Employees

As at 31 December 2005, the Group has employed about 60 employees in both PRC and Hong Kong. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.