MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group recorded a turnover of approximately HK$247 million for the year ended 31 December 2006, an increase of 117% as compared to that for the year ended 31 December 2005. The increase was mainly resulted from the sale revenue of the property development project in Beijing, the People's Republic of China (the "PRC") of Zhongshi Investment Company Limited ("Zhongshi"), its subsidiary.

The Group recorded a net profit attributable to shareholders of approximately HK$16 million for the year ended 31 December 2006 as compared to a net loss of approximately HK$46 million for the year ended 31 December 2005. It should be noted that the loss for the year ended 31 December 2005 included a provision for legal claim of approximately HK$8.7 million and impairment loss on property, plant and equipment of Suzhou Nanda Cement Company Limited 蘇洲南達水泥有限公司 ("Suzhou Nanda") of approximately HK$23.8 million.

BUSINESS REVIEW

The Company achieved good progress in all business segments in 2006. For development of principal business, it made an investment in the Huzhou Project in Zhejiang Province and acquired a commodity residential development project in Xian to enhance its property development capacity in 2007. In particular, the acquisition of Luoyang Guanlin Zhongchu Logistics Centre 洛陽關林中儲物流中心 ("Luoyang PRC Company") is the Group's first attempt to participate in the land reserve development businesses of China Chengtong Holdings Group Limited ("CCHG"), its ultimate controlling shareholder. On the other hand, the Group lined up with a leading international cement enterprise with the aim of restructuring its cement assets in Suzhou Nanda. The move should be beneficial to the Group such that it can concentrate in the business of land resource development and property development while continuing to enjoy the growth of the cement industry in the PRC.

In order to strengthen its capital base, the Company had completed a private placement and undergone a capital reduction during the year. In addition, it has been proceeding with a right issue exercise since early 2007. The initiatives should help to improve the quality in the Group's capital and to raise fund for the development of its principal business.

PROPERTY DEVELOPMENT

Zhongshi

Zhongshi, the Group's 70% owned subsidiary, is principally engaged in property development. Zhongshi is the developer of a residential/commercial development project known as City of Mergence located at Nos. 9 and 11, Baiwanzhuang Dajie, Xicheng District, Beijing, the PRC ("City of Mergence").

For the year ended 31 December 2006, the Group recorded a turnover and pre-tax profit from the sale of units and car-parking space of the City of Mergence amounting to approximately HK$247 million and HK$55.6 million respectively. In comparison, the Group recorded turnover and pre-tax profit of approximately HK$114 million and HK$8.20 million respectively from this project for the year ended 31 December 2005.

On 27 March 2007, the Group entered into a conditional acquisition agreement with a minority shareholder of Zhongshi regarding the acquisition of 30% interests in Zhongshi. Zhongshi will become a wholly owned subsidiary by the Group following completion of the acquisition of 30% interests in Zhongshi. The management believes that the move will enable the Group to leverage on the property investment platform of Zhongshi in order to speed up the expansion of the Group's property development business in the PRC.

Huzhou Land Company

In June 2006, the Group acquired 50% indirect interest in a sino-foreign equity joint venture ("Huzhou Land Company") established in the PRC which is solely engaged in the development of a property development project with site area of approximately 214,000 square metres and gross floor area of 320,000 square metres located at the Huzhou City of the Zhejiang Province of the PRC through the acquisition of Great Royal International Limited at a consideration of RMB27.5 million. Before acquisition, the capital contribution made by Great Royal International Limited towards the registered capital of Huzhou Land Company amounted to approximately RMB22.5 million. After the acquisition and up to 31 December 2006, the Group has already made the remaining capital contribution of Great Royal International Limited of approximately RMB73.2 million towards the registered capital of Huzhou Land Company. Currently, the stage of completion has reached 70% and the construction work is expected to be completed by the end of 2007.

Acquisitions of Xian and Luoyang PRC Companies

To further enhance the Group's property development business in the PRC the Group had through Zhongshi entered into two agreements for the acquisitions of 52% of the equity interest in the Xian Fuxiang Real Estate Development Limited 西安富祥房地產開發有限公司 ("Xian PRC Company") at a consideration of RMB25.6 million and the entire equity interest in the Luoyang PRC Company at a consideration of RMB26.7 million respectively from two subsidiaries of CCHG.

The Xian PRC Company is in the course of developing a commodity residential development project located at Xian City, Shanxi Province of the PRC with site area of approximately 79,000 square metres.

Luoyang PRC Company owns a piece of allocated land together with the buildings erected thereon with site area of 80,000 square metres located at Luoyang City, Henan Province of the PRC. The land is currently used for industrial use but it has been zoned into the new commercial development area by the local government. Application can be made to Luoyang's local government for a change of its use from industrial to commercial.

In the event that the independent shareholders' approval to the each of above acquisitions is not obtained at the forthcoming extraordinary general meeting of the Company to be held and convene approving the acquisitions, the interests in the Xian PRC Company and the Luoyang PRC Company acquired by the Group will be repurchased by the relevant vendors.

Further details on the above acquisitions could be found in the announcement made by the Company dated 22 March 2007.

PROPERTY INVESTMENTS

Li Wan Plaza

During the year under review, the Group entered into two settlement agreements with Guangzhou Sui Nan Building Development Limited putting an end to the disputes and ensuing litigations between them in relation to Zone A ("Property A") and Zone C ("Property C") both of Level 3, Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou City, Guangdong Province, the PRC. The entering into of the two settlements agreements enables the Group to retain retail area of 5,370 square metres in Property C. It started to contribute rental income to the Group since September 2006.

Price Sales Limited

In January, 2006, the Group entered into a conditional disposal agreement ("Disposal Agreement") for the disposal of a wholly owned subsidiary of the Group, Price Sales Limited, and the shareholder's loan to that subsidiary to an independent third party. Price Sales Limited owns 32% interest in Goodwill (Overseas) Limited. The disposal has terminated, the reason for that has already announced. Other than the non-recognition of the gain on the disposal of approximately HK$31.6 million previously expected to have had upon completion of the disposal, it is expected that the termination of the disposal will not have a material adverse financial and operational impact on the Group. Goodwill (Overseas) Limited contributed a net cash income of approximately HK$12 million to the Group in 2006.

STRATEGIC INVESTMENT

Suzhou Nanda, a subsidiary that the Group held 71.03% interest and principally engaged in trading and production of cement, had turnover of approximately HK$44 million for the year ended 31 December 2006, representing a decrease of 5% from that in 2005. Loss for the year was approximately HK$1.8 million, whereas a loss of approximately HK$31.5 million was recorded in 2005.

On 12 October 2006, the Group entered into a subscription and shareholders' agreement ("Subscription Agreement") with Cimpor Inversiones SA ("Cimpor") for the establishment of a joint venture company which will act as the vehicle for the furtherance of the sale and production of cement and related ancillary business. The investment of the Group's 20% interest in the joint venture company was made by the transferring Sea-Land Mining Limited, which in turn holds 71.03% interest in the registered capital of Suzhou Nanda. In addition, the joint venture company has entered into an agreement to acquire the 60% equity interest in a company engages in clinker and cement production and related businesses in Shandong province of the PRC in October 2006. The approvals necessary for the acquisition under the agreement are in the course of obtaining the approval from the government of Shandong Province and the procedure is expected to be completed prior to 30 June 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

As Suzhou Nanda locates in rural area in Suzhou, it lacks the ability of producing clinker, and as cement production is not the core business of the Group, it is necessary for the Group to identify a partner to reorganize Suzhou Nanda. Cimpor – Cimentos de Portugal, SGPS, S.A. is the holding company of Cimpor, and is a renowned cement enterprise rank No. 9 in the world. Leveraging on its ability in cement investment and export business worldwide, and also its advanced cement production technology and high management standard, the joint venture will continue to identify acquisition target in cement industry in PRC. The above action can enhance the Group's profitability in the strategy investment in cement industry.

RIGHTS ISSUE

On 9 January 2007, the Board announced that the Company proposed to raise approximately HK$200.3 million before expenses by issuing not less than 607,051,490 shares and to raise not more than approximately HK$203.3 million before expenses by issuing not more than 616,021,490 shares by way of rights at the subscription price of HK$0.33 per share on the basis of three rights shares for every ten existing shares in issue on the record date (i.e. 19 March 2007). The resolutions have been passed in the extraordinary meeting of the Company held on 19 March 2007. The commencement of dealings in fully paid shares issued pursuant to the rights issue is expected to be on 18 April 2007.

The Group intends to use the net proceeds from the rights issue as to approximately 20% for general working capital of the Group and approximately 80% for future property development in Hong Kong and the PRC. The Board believed that raising further equity by means of rights issue would allow the Company to strengthen its capital base and provide an opportunity to the shareholders to participate in the growth of the Group.

OUTLOOK

The principal activities of the Group are property development, development of land resources, and strategic investment. The Group will continue to focus on these principal activities and identify new investment opportunities which are beneficial to the Group and our shareholders. The Group's property development and land development business initiated a good start in 2005 and 2006.

As growth in the PRC economy will remain robust in future, the value of Renminbi is expected to keep appreciate, and the trend of household's spending power continues to strengthen, the Group considers that it is safe to predict that the value of land resources in the PRC will keep enhancing and the growth potential in value is substantial. The Group's ultimate controlling shareholder CCHG is the largest integrated warehousing logistics service enterprise in the PRC, and is one of the two asset operating companies under the State-owned Assets Supervision and Administration Commission of the State Council. CCHG has the largest land reserve for logistic usage in PRC, and at the same time, it can keep obtaining new land resources through assuming the responsibility of assets management in State-owned enterprises. As such, besides finding suitable investment opportunity in Mainland China, the Group is now studying on integrating CCHG's assets management business, to determine whether it is feasible of including the land for industrial usage on the commercial development lot as a major investment acquisition target, so as to accelerate the growth of the land reserve and property development scale of the Group.

PLEDGE OF ASSETS

As at 31 December 2006, the Group's plant and machinery with aggregate carrying value of approximately HK$3.6 million was pledged as securities for the Group's borrowing facilities.

GEARING RATIO

As at 31 December 2006, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK$20 million and total assets of approximately HK$530 million, was 0.04 (31 December 2005: 0.06).

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy during the year under review.

At 31 December 2006, the Group had cash and bank balances amounting to HK$122 million (31 December 2005: HK$115 million), and current assets and current liabilities of HK$235 million and HK$125 million respectively (31 December 2005: HK$552 million and HK$403 million respectively). Out of the cash and bank balances of HK$122 million at 31 December 2006, a sum of HK$4.2 million was deposited in a new and segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at its effective date.

At 31 December 2006 and 31 December 2005, the Group's secured borrowings amounted to approximately HK$9 million and HK$17.6 million respectively, which is repayable within one year with interest at commercial rate and were secured by the Group's plant and machinery with aggregate carrying value of approximately HK$3.6 million (31 December 2005: HK$9 million). At 31 December 2006, the secured loan together with other loan of approximately HK$4 million are carrying interest at commercial rate while all the other loans due by the Group are unsecured and interest free. The Group anticipates that it has adequate financial resources to meet its obligations for the coming year.

The Group will continue to employ conservative and sound financial planning, ensuring a solid financial position to support its future growth.

The Company had issued 336.4 million shares ranking pari passu with existing shares during the year ended 31 December 2006 (31 December 2005: nil).

FOREIGN EXCHANGE RISK MANAGEMENT

The business activities and operation of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Group considers that fluctuations in exchange rates 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.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2006, the Group employed a total of 214 employees, of which 12 were based in Hong Kong and 202 were based in Mainland China. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

The Company has a share option scheme under which the Company may grant options to eligible employees to subscribe for shares in the Company. Particulars of the scheme are to be set out in the note 34 to the consolidated financial statement.