

OVERALL PERFORMANCE

During the year under review, with the continued financial support from CNC under the agreement dated 23rd December 2003 and the effective management of the Board, the Group succeed in maintaining the smooth progress of the construction of China Securities Plaza.

ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

Trading in the shares has been suspended on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 30th December 2003 at the request of the Company. The Company has yet to demonstrate to the satisfaction of the Stock Exchange that it has sufficient level of operation or tangible assets of sufficient value to warrant the continued listing of the shares on the Stock Exchange pursuant to Rule 13.24 of The Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”). Accordingly, the Company was placed into the second stage of the delisting procedures on 12th January 2005. The Company is now actively preparing further information for submission to the Stock Exchange in order to substantiate that it meets the requirements under Rule 13.24. Trading in the shares will remain suspended pending fulfillment of any conditions which may be imposed on the Company by the Stock Exchange.

FINANCIAL REVIEW

Result

In the year of 2006, the Group has not reported any turnover since China Securities Plaza was still in the progress of disposal. The Group’s net loss for the year was approximately HK\$32,909,000 (2005: net loss of HK\$21,026,000). The basic loss per share for the year was 12.11 cents (2005: loss per share of 7.70 cents).

Administrative expenses is HK\$23,933,000 for the year of 2006. Finance costs of HK\$10,473,000 represented mainly interest expenses on other borrowing.

Liquidity, Financial Resources and Funding Requirements

The losses of the Group increased because the China Securities Plaza is still in the construction progress and neither profit nor turnover was recognised during the year. As at 31st December 2006, the net liabilities of the Group increased by 17.0% to HK\$194,702,000 from HK\$166,417,000 as at 31st December 2005.

As at 31st December 2006, the cash and bank balances decreased by approximately HK\$61,820,000 mainly because of repayment of bank borrowings and construction cost payables and the current ratio (current assets/ current liabilities) was 0.91 (as at 31st December 2005: 0.92).

As at 31st December 2006, the Group's bank borrowings amounted to approximately RMB90,000,000 equivalent to approximately HK\$90,000,000 (2005: approximately RMB170,000,000 equivalent to approximately HK\$163,462,000), are secured and repayable within one year.

Other borrowings of HK\$210,000,000 (2005: HK\$210,000,000) as at 31st December 2006 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, (2005: HK\$165,000,000) was interest free before 1st July 2005 and extended the repayment date up to 31st December 2005 into two portions: (i) repayment by cash HK\$55,000,000 was interest bearing at 10% per annum; (ii) the balance of which HK\$110,000,000 will transfer such aggregate appraisal value of property to the borrower. Other unsecured loans of HK\$15,000,000 (2005: HK\$45,000,000) was interest bearing at 10% per annum. The remaining other borrowings of HK\$30,000,000 (2005: Nil) was interest bearing at 4% over the prime lending rate quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited.

Gearing Ratio

The gearing ratio (total debts/ total assets of the Group) was 0.16 as at 31st December 2006 (as at 31st December 2005: 0.20). This ratio was lower than the gearing ratio of last year mainly due to repayment of bank borrowings with 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. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assess exchange risks.

Pledge Assets

As at 31st December 2006, the Group pledged the property under development for sale with an aggregate net book value of approximately HK\$1,720 million (2005: approximately HK\$1,565 million) to secure bank loans granted and amounts payable in respect of respective land development cost totalling approximately HK\$118 million (2005: HK\$191 million).

Contingent Liabilities

- (a) As at 31st December 2006, the financial guarantee given to bank in respect of the loans of the amounts USD2,500,000 which equivalent to approximately HK\$19,433,000 (2005: USD2,500,000 which equivalent to approximately HK\$19,383,000) granted to Beijing New Rank Real Estate Development Co., Limited, a former subsidiary of the Group.

- (b) Pursuant to the agreement entered into between BJCSB and CNC dated 23rd December 2003, the construction of the property under development for sale would be completed on 30th June 2005 and its ownership would be delivered to CNC before 30th December 2005. Relevant penalties apply upon the late delivery of ownership as follows:
- i. 0.03% interest per day based on money received by the BJCSB upon late delivery within 90 days from 30th December 2005;
 - ii. if late delivery is more than 90 days from 30th December 2005, CNC will have a right to either terminate the agreement and BJCSB will be required to return all installments without interest and pay damages at the rate of 10% of the money received within 30 days upon receiving notice from CNC; or require BJCSB to pay damages at 0.03% interest per day on the installments received for the period from 30th 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 expand 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 31st December 2006, the Group has employed about 59 employees in both the 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.