FINANCIAL REVIEW

The Group's cash and bank balances as at 31 December 2006 amounted to HK$126,631,000 (31 December 2005: HK$133,094,000). The Group's total borrowings amounted to HK$115,838,000 (31 December 2005: HK$121,123,000), of which HK$77,198,000 was repayable within 1 year and HK$38,144,000 was repayable from 2 to 5 years.

The percentage of the Group's borrowings denominated in HK$ and Vietnamese Dong ("VND") were 20 % and 80% respectively. Of the total borrowings, about 80% were at fixed interest rates. The percentage of cash and cash equivalents held by the Group in HK$, US$, VND and RMB were 5%, 79%, 14% and 2% respectively.

The gearing ratio, expressed as the percentage of long-term debt to equity, was 3% as at 31 December 2006 (31 December 2005: 6%).

Significant investments held

As at 31 December 2006, the Group has no significant investment held.

Details of future plans for material investments

Seeing the continuous lack of supply situation in the Vietnam's cement market, the Group decided to construct a new production line with an annual production capacity of 1.3 million tonnes of cement and approval from the Vietnamese government has been obtained. On 5 February 2007, the Group entered into two conditional agreements with China National Aero-Technology Import & Export Corporation Beijing Company for the purchase of a new 3000 TPD clinkers' production line and a new 1.5 million TPY cement grinding facilities respectively. The total consideration was US$25,556,000 (equivalent to approximately HK$199,336,800). The consideration will be financed as to 50% by banks' borrowings and 50% by the Group's internal resources. It is expected that after the completion of the installation of the new production line, the maximum capacity of the Group's cement production will be increased by 1,300,000 tonnes per annum, representing an increase of approximately 86% as compared to the existing capacity. The new production line is expected to commence operation in the second quarter of 2008.

Along with the economic growth and urbanization, the property market in Hochiminh City is getting more active. The Group has also participated in the property development business in Vietnam. The Group entered into a conditional agreement with Thanh Phat on 19 October 2006 in connection with a proposal to establish a JVC in Vietnam for developing a land area of 22,000 square meters in Binh Chanh District of Hochiminh City, upon relevant approvals of the project having been obtained from the government. Thanh Phat and the Group will own 30% and 70% of the JVC respectively. Preliminary plan of the project is to build 6 to 8 blocks of residential apartments, each with 16 storeys. The Project is expected to start construction by the end of 2007 and to be completed within 3 years.

Besides, the Group also entered into a conditional Memorandum with Hong Phuc on 5 January 2007 in connection with a proposal to establish a JVC in Vietnam for the development of a land area in District 2 of Hochiminh City. The Land area will be injected into the JVC with a consideration of US$9.5 million. The Group will own 90% of the JVC. Preliminary plan of the project is to build a total of 71,000 square meters of high-end apartments and construction is expected to start by the end of 2007 and to be completed within 2 years.

Apart from internal resources, the Group has also secured a banking facility for an amount of US$25 million in order to finance its property development projects in Vietnam.

Meanwhile, the Group is also exploring other opportunities of developing residential or commercial property in Hochiminh City, Vietnam.

Employees and Remuneration Policy

As at 31 December 2006, the Group had approximately 910 employees. Most of them were in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$23,645,000 for the year ended 31 December 2006 (31 December 2005: HK$20,856,000). The Share option scheme approved in the 2006 AGM provides a flexible and effective mean to compensate, award and encourage the staff of the Group. During the year, share options entitled to subscribe for a total of 25,450,000 shares of the Company's shares were granted to the staff and executive directors of the Company. There was no significant change in the Group's remuneration policy as compared to last financial year.

Details of charges

As at 31 December 2006, the Group pledged certain fixed assets at a net book value of HK$219,659,000. In addition, bank deposits of HK$20,868,898 of the Group have been pledged to bank for the purchase of fixed assets.

Exposure to fluctuations in exchange rates and related hedges

The Group has exposed to the risk of exchange rate's fluctuation in Vietnamese Dong ("VND") for its investments in Vietnam. Yet, the exchange rate of VND to USD was relatively stable throughout the accounting period, with a devaluation of less than 1% as at 31 December 2006 when compared to the rate as at 31 December 2005. The Company has not employed any hedging instrument as the market for such kind of hedging instruments are either in lack of or not cost efficient to use of. In order to minimize exposure to the exchange risk, the cement plant makes use of its surplus cashflow and local banks' borrowings of VND to repay loans denominated in USD, especially the loan due to the parent company. Besides, most of the expenditures of the cement plant are in VND. For the Saigon Trade Centre, over 90% of the leasing contracts are denominated in USD, whereas most of its expenditures are in VND.

Details of contingent liability

As at 31 December 2006, the Group has no significant contingent liability (31 December 2005: Nil).