Letter from the Board

The Board (the "Board") of Directors (the "Directors") of Goldbond Group Holdings Limited (the "Company") refers to the announcement of the Company dated 27 January 2003 in relation to the change of substantial shareholder of the Company which was completed on 28 January 2003. At completion, four new Executive Directors namely, Mr. Wong Yu Lung, Charles, Ms. Loh Jiah Yee, Katherine, Mr. Lan Ning and Mr. Kee Wah Sze were nominated to the Board and Mr. Liu Shun Chuen resigned from the Board. The Board would like to take this opportunity to welcome all of the new Directors on their appointment to the Board and thank Mr. Liu for his service as a Director.

RESULTS AND DIVIDENDS

Turnover of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003 was HK$23,175,000 (2002: HK$23,051,000). After taking into account of the gain on disposal of interest in associates, provision for impairment in value of investment properties and other investments, administrative expenses and financial costs, the Group recorded a net loss attributable to shareholders of HK$71,962,000 (2002: HK$78,965,000), representing a decrease of 8.9%. Loss per share amounted to HK$0.02 (2002: HK$0.04).

The Board does not recommend the payment of a dividend in respect of the year ended 31 March 2003 (2002: Nil).

BUSINESS REVIEW

The principal business of the Group is property development and investment in Hong Kong. The Group also made strategic investments in information technology, logistic and natural gas businesses. During the year, turnover of the Group was mainly contributed by the rental income derived from Golden Plaza, No. 745-747 Nathan Road, Kowloon. Almost all of the total gross floor area of Golden Plaza has been rented.

On 5 August 2002, the Group entered into an agreement for the acquisition of its 30% equity interest in Power Insight Investments Limited ("Power Insight"), the subsidiaries of which are principally engaged in the supply and trading of liquid petroleum gas ("LPG") in bulk and cylinders, the provision of piped gas and the sales of LPG household appliances in the People's Republic of China (the "PRC"). Initially Power Insight planned to form a wholly owned foreign enterprise known as Laiyang North East Asia Gas Co., Ltd. ("Laiyang NEA") in the Shandong Province, the PRC. The consideration of HK$60,000,000 was settled by way of the issue and allotment of 240,000,000 new ordinary shares of the Company at HK$0.25 each (the "Consideration Shares"). The acquisition was completed on 23 August 2002 and the Consideration Shares were duly issued and allotted on the same date. As at 31 March 2003, the proposed initial set up of Laiyang NEA was still under review in light of the prevailing market conditions. To adopt a prudent approach, a full provision for impairment loss against the carrying value was made during the year. The Board will closely monitor the performance of this project. Should the market conditions improve and hence the outlook of the project becomes more positive, the Board will consider a reversal of the impairment loss already made.

Letter from the Board

On 12 August 2002, the Group disposed of its 49% equity interest in Masterful Resources Limited, an investment involving in information technology and logistic businesses, at a consideration of HK$56,800,000. The consideration was satisfied by the issue and allotment of 284,000,000 ordinary shares of eCyberChina Holdings Limited ("eCyberChina") at HK$0.20 each, which represented approximately 9.9% of the enlarged share capital of eCyberChina. The shares of eCyberChina are listed on the Stock Exchange of Hong Kong Limited. The transaction was completed on 5 September 2002 and a gain on disposal of HK$5,112,000 was recorded.

On 7 January 2003, the Company completed an open offer together with a bonus issue to raise HK$18,416,000 before expenses by issuing 73,664,000 offer shares at a price of HK$0.25 per share (the "Offer Share") on the basis of one Offer Share for every 20 then existing ordinary shares held by shareholders of the Company (the "Open Offer"). The holders of the Offer Shares received bonus shares on the basis of 24 bonus shares (the "Bonus Shares") for every Offer Share (the "Bonus Issue") subscribed. The net proceeds of approximately HK$17,500,000 raised were used partly for the repayment of the Group's outstanding indebtedness and the remaining balance was served as general working capital.

During the year, the financial position of the Group has been enhanced after the completion of the Open Offer, which has established a good foundation for the future expansion and development of the Group. The Directors will continue to explore new investment opportunities with earning potentials in Hong Kong and the PRC so as to further diversify its sources of income and to develop its existing business.

FUTURE PLAN

Despite the gloomy economy in Hong Kong, Golden Plaza, being situated in Mongkok with an already established niche market, continued to provide satisfactory results. Looking ahead, occupancy rate of Golden Plaza is expected to remain high.

At the same time, the Board will continue to look for investment opportunities that have earning potentials, with an aim to diversify its sources of income and to develop its existing business. In particular, the Board will focus on the companies in Hong Kong and the PRC that either (i) have steady income and positive cashflow, or are in industries whereas the barrier of entry are relatively high; or (ii) are in fast growing industries.

It is the ultimate goal of the Board to make use of the Group's resources to maximise the value of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year under review, the Group recorded a net loss attributable to shareholders of HK$71,962,000, which was mainly attributable to the provision for impairment in value of investment properties and other investments.

Letter from the Board

After the completion of the Open Offer and the Bonus Issue, the Group successfully raised net proceeds amounting to HK$17,500,000 which were used for the repayment of its indebtedness and as general working capital. As at 31 March 2003, the Group had net assets value of HK$135,491,000 and the cash and bank balances of HK$13,102,000.

Details of variance of the Group's net assets are summaried as follows:

	Increase/(Decrease) in the Group's net assets HK$'000
Fixed assets (excluding investment properties)	**346**
Investment properties	**(14,930)**
Other investments	**3,000**
Trading securities	**2,840**
Accounts receivable	**755**
Prepayments, deposits and other receivables	**(267)**
Cash and cash equivalents	**(113,994)**
Other payables and accruals	**3,107**
Taxation	**(950)**
Interest-bearing bank loans and other borrowings	**(9,321)**
Amounts due to related companies	**77,830**
Convertible bonds	**60,000**
Net increase in the Group's total net assets	**8,416**

Property rental

Although rental rates in the local investment property sector generally declined in association with the weakening economy during the year under review, the Group's investment properties, which are mainly comprised of retail shopping centre located in Mongkok with stable patronage, managed to record a total gross rental income of HK$23,175,000, representing a slight increase of 0.5% over that recorded in the previous financial year. Average occupancy level of the investment properties of the Group maintained at about 97%.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2003, the Group had outstanding borrowings of HK$204,600,000, comprising secured bank borrowings of HK$192,904,000 and loans due to related parties of HK$11,696,000. Details of the total borrowings of the Group are set out in notes 17 and 18 on the financial statements.

The issuance of 240,000,000 new ordinary shares upon the completion of acquisition of the Group's 30% equity interest in Power Insight, the issuance of the 73,664,000 Offer Shares pursuant to the Open Offer and 1,767,936,000 Bonus Shares pursuant to the Bonus Issue and the repayment of Group's indebtedness during the year has enhanced the capital base and the financial position of the Group. The gearing ratio, measured as total liabilities to total assets, improved from 73.7% for the year ended 31 March 2002 to 62.4% for the year ended 31 March 2003.

CAPITAL STRUCTURE

As at 31 March 2003, the numbers of issued ordinary shares and preference shares of the Company were 3,314,880,000 shares and 684,000,000 shares respectively. During the year, the Company issued and allotted a total of 2,081,600,000 ordinary shares, which were attributed to:

1. issuance and allotment of 240,000,000 ordinary shares at HK$0.25 each for the acquisition of the 30% equity interest in Power Insight in August 2002; and

2. issuance and allotment of 73,664,000 Offer Shares at HK$0.25 each pursuant to the Open Offer together with an issue of 1,767,936,000 ordinary shares at HK$0.25 each pursuant to the Bonus Issue in January 2003.

On 11 April 2003, special resolutions were passed at an extraordinary general meeting of the Company to implement a capital reorganisation (the "Capital Reorganisation") which, in summary, involved the following:

(a) a reduction of the issued ordinary share capital of the Company of HK$828,720,000 divided into 3,314,880,000 shares of HK$0.25 each to HK$33,148,800 divided into 3,314,880,000 shares of HK$0.01 each and the issued preference share capital of HK$171,000,000 divided into 684,000,000 preference shares of HK$0.25 each to HK$6,840,000 divided into 684,000,000 preference shares of HK$0.01 each ("Capital Reduction").

    The credit of HK$959,731,200 resulting from the Capital Reduction of the Company will be set off, to the extent permitted by and subject to the conditions imposed by the High Court of Hong Kong Special Administrative Region ("Court"), against the accumulated losses of the Company;

(b) a sub-division of the authorised but unissued ordinary share of HK$0.25 each into 25 ordinary shares of HK$0.01 each ("Share Sub-division");

(c) an increase of the authorised ordinary share capital of the Company to the original amount of HK$2,500,000,000, by the creation of not less than 79,557,120,000 new ordinary shares of HK$0.01 each ("Capital Increase"); and

(d) the consolidation of 10 ordinary shares of HK$0.01 each and 10 preference shares of HK$0.01 each after such capital reduction into one new consolidated share of HK$0.10 ("Consolidated Shares") and one new consolidated preference share of HK$0.10 ("Consolidated Preference Shares") respectively ("Share Consolidation").

Further details of the Capital Reorganisation are also set out in the circular of the Company dated 19 March 2003.

Letter from the Board

On 25 June 2003, by an order of the Court ("Court Order"), the Capital Reduction was confirmed. Upon filing of the Court Order and minute of the Company with the Companies Registrar, the Capital Reorganisation became effective on 26 June 2003.

With effective from 26 June 2003, the authorised ordinary share capital of the Company immediately after the Capital Reorganisation is HK$2,500,000,000 comprising 25,000,000,000 Consolidated Shares, of which 331,488,000 Consolidated Shares are in issue. The authorised preference share capital of the Company immediately after the Capital Reorganisation is HK$6,840,000 comprising 68,400,000 Consolidated Preference Shares, all of them are in issue.

CHARGES ON GROUP'S ASSETS

As at 31 March 2003, the Group's investment properties with an aggregate carrying value of HK$335,000,000 (2002: HK$350,000,000) have been pledged to a bank for bank loans.

CONVERTIBLE BONDS

On 5 March 2003, the Group redeemed all the convertible bonds for an aggregate principal amount of HK$60,000,000 at the redemption amount of HK$63,000,000 with accrued interest.

EMPLOYMENT AND REMUNERATION POLICY

At 31 March 2003, the Group's total number of staff was 12. The Group remunerates its employees based on their performance, experience, and prevailing industry practices. The Group has set up share option schemes to its employees linked to individual performances as recognition of and reward for value creation.

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group including the review of the financial statements.

By Order of the Board

Loh Jiah Yee, Katherine
Director

Hong Kong, 28 July 2003