

RESULTS AND DIVIDEND

Turnover of the Group for the year ended 31 March 2005 was approximately HK\$24,735,000 (2004: HK\$23,392,000). The Group recorded a profit attributable to shareholders of approximately HK\$27,935,000 (2004: HK\$27,037,000), which was mainly contributed by the increase in fair value of the Group's investment properties and operating profit from leasing of the investment properties.

The Directors did not recommend the payment of a dividend in respect of the year ended 31 March 2005 (2004: HK\$Nil).

BUSINESS REVIEW

The principal businesses of the Group are mainly property development and investment and provision of financial services in Hong Kong and the People's Republic of China (the "PRC").

Properties

Golden Plaza

The rental income derived from Golden Plaza in Hong Kong for the year was approximately HK\$24,725,000 (2004: HK\$23,387,000). Golden Plaza is a well established niche market for wedding businesses. The Group owns an aggregate of over 90% of the arcade from the basement to the 3rd floor. As at 31 March 2005, approximately 97% of the total gross floor area (excluding the basement which was then under renovation) of Golden Plaza had been rented.

The full renovation and upgrade of all floors (including the basement) have been completed by April 2005. The basement, known as "The Future", is divided into 25 units for rental, of which 21 units have been rented as at the date of this report while the remaining are under close negotiation with potential tenants. It is expected to contribute additional rental income and the Directors would anticipate an attractive enhancement in the rental yield as a whole.

As at 31 March 2005, the market value of Golden Plaza as revaluated by independent professional valuers was HK\$415,000,000, resulting in a surplus of approximately HK\$40,506,000.



Management Discussion and Analysis

Nanjing International Center

The Group's jointly controlled entity, Nanjing City Plaza Construction Co., Ltd., has a 67% equity interest in Nanjing International Group Limited ("NIG"), a joint stock limited liability company incorporated in the PRC which is developing Nanjing International Center ("NIC") in Nanjing, the PRC. NIC was named as "China's Top 10 Landmark Architectures in 2004" by the "China's Top 10 Real Estate" Research Group set up jointly by the Development Research Center of the State Council, the Real Estate Research Center of Tsinghua University and the Index Research Center.

NIC comprises a site area of approximately 32,000 square meters and will be developed by two phases. The construction of Phase I is being carried out intensively. Phase I, comprising a shopping mall, a hotel, serviced apartments, residential units and office premises with a total gross floor area of approximately 227,000 square meters, is expected to be completed by 2006. The superstructure work of Phase I is expected to be completed in the third quarter of 2005. The pre-sale/lease of Phase I is scheduled to begin in the second half of 2005. In January 2005, NIG entered into a pre-lease agreement with Golden Eagle International Shopping Group (南京金鷹國際購物集團有限公司), one of the major retailing companies throughout the PRC, for the lease of north wing of the 1st floor to 6th floor of the shopping mall of Phase I with a total area of approximately 32,000 square meters.

Despite Macro Control policy recently introduced by the PRC government which purposed to cool down overheating industries in sectors such as real estate properties development, NIG has successfully obtained banking facilities in July 2004 and May 2005 for RMB100,000,000 and approximately RMB448,977,000 respectively. The facilities are used for the construction of Phase I. Meanwhile, Phase II is at the planning stage with an expected total gross floor area of approximately 218,000 square meters. In March 2005, NIG and Westin entered into an agreement under which Westin Hotel will be operated at Phase II.

Financial services

Rongzhong Group Limited ("Rongzhong")

In November 2004, Perfect Honour Limited ("Perfect Honour"), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with, among others, Mr. Xie Xiao Qing ("Mr. Xie") and China Modern Limited, for the subscription of a 40% equity interest in Rongzhong at a cash consideration of US\$40. Pursuant to the Subscription Agreement, Perfect Honour has undertaken to advance to Rongzhong a shareholder's loan of RMB42,000,000 or its equivalent in Hong Kong dollars as part of the registered capital in a wholly-owned PRC incorporated subsidiary of Rongzhong (the "Management Company"). This shareholder's loan was financed by the proceeds from the Convertible Note (as defined below). The subscription of shares in Rongzhong and the advancement of the shareholder's loan were completed in December 2004.

In June 2005, Perfect Honour entered into an agreement with Mr. Xie pursuant to which Perfect Honour agreed to acquire and Mr. Xie agreed to sell 11% equity interest in Rongzhong at a consideration of US\$11. Upon completion, the Group's equity interest in Rongzhong will increase by 11% to 51%. On the same date, Perfect Honour also entered into a loan agreement with Rongzhong in which Perfect Honour agreed to advance a shareholder's loan of not more than HK\$17,000,000 to Rongzhong as general working capital. The loan will be financed by the Group's banking facilities and/or internal resources. The acquisition of further 11 shares in Rongzhong was completed in July 2005.

Rongzhong carries on businesses in various cities of the PRC, including Changsha, Chengdu, Chongqing, Guangzhou, Nanjing and Hangzhou. At present, these companies mainly provide loan guarantee services for individuals in relation to six major types of activities: (1) consumables; (2) educational funds; (3) residential renovations; (4) travels and wedding; (5) motor vehicles; and (6) properties. As at 31 March 2005, the Group made a provision of HK\$2,400,000 due to the preliminary stage of the reorganisation of Rongzhong after the Group's participation.

The Directors believe that investment in Rongzhong would be a strategic move for the Group. With Mr. Xie's expertise in loan guarantee business in the PRC, the Directors are optimistic that the investment will allow the Group to venture into the loan guarantee market with promising prospect.

Goldbond Capital Holdings Limited ("Goldbond Capital")

In October 2004, the Group entered into an agreement to acquire a 20% equity interest in Goldbond Capital at a consideration of HK\$30,000,000, which was settled by the issue of the Zero-coupon Convertible Note (as defined below) at a conversion price of HK\$0.129 (subject to adjustment) per share. The acquisition was completed in December 2004. Goldbond Capital and its subsidiaries are principally engaged in the provision of investment and financial-related services, including but not limited to, securities and futures trading, distribution and placement of listed and unlisted securities, financial advisory, initial public offering and asset management.

Following the PRC's entry to the World Trade Organisation, the Directors consider that the economic growth of the PRC is promising and the financial services sector in Hong Kong is set to ride on the expected growth of fund raising activities by the PRC enterprises. The Directors are of the view that Goldbond Capital possesses experienced and competent personnel in the financial industry and will contribute to the Group in the future.



Gobi Fund, Inc.

In February 2005, the Group entered into an agreement to dispose of 12 units of Gobi Fund, Inc. at a consideration of HK\$11,700,000. The completion was divided into two stages. As at 31 March 2005, the Company has received HK\$5,850,000 for the first 6 units of Gobi Fund, Inc.. The completion of the sale of the remaining 6 units is expected to be taken place by December 2005.

Future Plan

In view of the recent growth in the economy of Hong Kong and the PRC, the Group takes opportunity to focus upon and expand its strategic business developments in property and finance industries with proactive approach. The Group shall seek for new potential investments and on the other hand, maintain effective cost control measures to maximize the shareholders' return.

Management Discussion and Analysis

FINANCIAL REVIEW

For the year under review, the Group recorded a profit attributable to shareholders of approximately HK\$27,935,000 (2004: HK\$27,037,000), which was mainly contributed by the increase in fair value of the Group's investment properties of HK\$40,464,000 (2004: HK\$34,650,000) and operating profit from leasing of the investment properties of approximately HK\$4,271,000 (2004: HK\$4,000,000). As at 31 March 2005, the Group had net assets value of approximately HK\$326,980,000 (2004: HK\$299,045,000) which represented an increase of 9.34% over last year end.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2005, the Group had secured bank borrowings of HK\$177,992,000 (2004: HK\$190,765,000) which bear interest with reference to Hong Kong Interbank Offered Rate (HIBOR) and will be repayable by instalments till 2013. The Group has a banking facility HK\$66,000,000 granted by a bank in Hong Kong which is secured by the pledged deposits of approximately US\$2,563,000 and its interest thereupon. Such banking facility was not utilised as at 31 March 2005 and 2004 respectively. All of the Group's borrowings are denominated in Hong Kong dollars. The Group had maintained adequate liquidity cash and bank balances of HK\$13,314,000 as at the year-end date (2004: HK\$9,583,000).

On 5 August 2004, the Company issued a 3-year convertible note due 2007 in the principal amount of HK\$70,000,000 (the "Convertible Note") to Wah Link Investments Limited. The Convertible Note bears no interest and carries the right to convert into ordinary shares of HK\$0.10 each at a conversion price of HK\$0.17 (subject to adjustment) per share. The proceeds of HK\$70,000,000 have been applied as approximately HK\$39,623,000 (i.e. RMB42,000,000) to the provision of shareholder's loan to Rongzhong and the balances to working capital of the Group.

On 31 December 2004, the Company also issued a zero-coupon convertible note due 2007 in the principal amount of HK\$30,000,000 (the "Zero-coupon Convertible Note") as consideration for the acquisition of a 20% equity interest in Goldbond Capital at a conversion price of HK\$0.129 (subject to adjustment) per share.

The gearing ratio, measured as total liabilities to total assets, was 48.01% (2004: 42.44%).

The Group's transactions and monetary assets are principally denominated in Hong Kong dollars, United States dollars and Renminbi, and as a result, the Directors believe that the Group has no significant exposure to foreign exchange rate fluctuation.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2005, the banking facilities granted to the Group were secured by:

- (i) a legal charge over investment properties with an aggregate carrying value of HK\$415,000,000 (2004: HK\$370,000,000);
- (ii) the assignment of the rental income derived therefrom;
- (iii) a share charge of a subsidiary, Perfect Manor Limited, together with the subordination of the Company's loans to Perfect Manor Limited; and
- (iv) a fixed deposit of approximately US\$2,563,000 plus accrued interest.

As at 31 March 2005, the banking facilities granted to the Group's jointly controlled entity were secured by:

- (i) the Group's 25% equity interest in the jointly controlled entity, Nanjing City Plaza Construction Co., Ltd.; and
- (ii) the assignment of dividends, profits and other monies derived therefrom.

CONTINGENT LIABILITIES

As at the balance sheet date, there were contingent liabilities in respect of the following:

- (i) the Group has given a guarantee of RMB8,750,000 (equivalent to approximately HK\$8,255,000) in respect of banking facilities of RMB40,000,000 (equivalent to approximately HK\$37,736,000) granted to a jointly controlled entity (2004: HK\$Nil). Such banking facility was not utilised during the year;
- (ii) the Company has given a guarantee of US\$3,750,000 (equivalent to approximately HK\$29,250,000) (2004: HK\$Nil) in respect of banking facility granted to a jointly controlled entity, the Group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities; and
- (iii) the Company has given a guarantee of HK\$200,000,000 (2004: HK\$200,000,000) in respect of a bank loan of HK\$177,992,000 (2004: HK\$190,765,000) granted to a wholly-owned subsidiary.

As at the balance sheet date, there were contingent liabilities in respect of the Group's 40% share of guarantees related to provision of guarantee services by the Group's jointly controlled entities which share amounted to RMB798,000 (equivalent to approximately HK\$753,000) (2004: HK\$Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2005, the Group's total number of staff was 20. The Group remunerates its employees based on their performance, experience and prevailing industry practices. The Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.