

# Business Review

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

## **Property development and investment**

### *Golden Plaza, Hong Kong*

The rental income derived from Golden Plaza in Hong Kong (after outgoings) for the year under review was approximately HK\$25,831,000 (2005: HK\$20,842,000), an increase of 24% over last year. Golden Plaza is a well established niche market for wedding businesses. The Group owns more than 90% in aggregate from the basement to the 3rd floor of Golden Plaza. As at 31 March 2006, more than 96% of the total gross floor area of Golden Plaza had been rented. It is expected that Golden Plaza will continue to generate stable income with attractive rental yield to the Group in the foreseeable future.

As at 31 March 2006, the market value of Golden Plaza as revaluated by independent professional valuers was HK\$458,700,000.

### *Nanjing International Center, Nanjing*

The Group's jointly controlled entity, Nanjing City Plaza Construction Co., Limited, 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 awarded the "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 is being developed by two phases. Phase I, comprising a shopping mall, Novotel hotel, serviced apartments, luxury residential units and office premises with a total gross floor area of approximately 227,000 square meters, is expected to be completed by 2007. As at 31 March 2006, the superstructure work and curtain wall of Phase I was completed. The foundation work of Phase II is preliminarily scheduled to commence in 2007 with an expected total gross floor area of approximately 245,000 square meters, comprising Westin hotel, serviced apartments and office premises.

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## Financial services

### *Rongzhong Group Limited ("Rongzhong")*

In July 2005, the Group acquired a further 11 shares in Rongzhong such that it has a total 51% equity interest as at 31 March 2006. The Group has advanced to Rongzhong shareholder's loans in the amount of approximately HK\$57,385,000 as part of the working capital for its consumer finance business and pawn shop business in the PRC.

For the year ended 31 March 2006, the Group shared turnover (after outgoings) from Rongzhong and its subsidiaries (the "Rongzhong Group") of approximately HK\$8,091,000 and a loss of approximately HK\$27,976,000 (2005: HK\$Nil and HK\$2,400,000 respectively) due to restructuring after the acquisition and relatively unambitious attitude of PRC banks towards consumer finance business in 2005. The acquisition of further 11% equity interest of Rongzhong and the entire equity interest of Wuhan City Rongzhong Credit Guarantee Co., Ltd during the year gave rise to a goodwill of HK\$11,411,000. Such amount was considered to be impaired at 31 March 2006 in view of the operating results of Rongzhong turned out to be less desirable than originally planned.

#### (i) Loan guarantee business

At present, Rongzhong Group carry on loan guarantee business in seven cities in the PRC, namely Chengsha, Chengdu, Chongqing, Wuhan, Guangzhou, Nanjing and Hangzhou, principally engaging in the provision of guarantee services for individuals in relation to seven major types of loans: (1) consumable purchase; (2) educational fund; (3) residential renovation; (4) travel and wedding; (5) motor vehicle; (6) real estate property; and (7) sole proprietor working capital. The total guarantee amount of Rongzhong Group for the year under review amounted to approximately RMB260,000,000. Currently, Rongzhong Group is working with more than 4,000 merchandisers in the PRC and has established working relationship with the following banks:

- Industrial and Commercial Bank of China
- Guangdong Development Bank
- Shenzhen Development Bank
- Bank of Communications
- Shanghai Pudong Development Bank
- Changsha Commercial Bank
- China Citic Bank
- Industrial Bank
- China Merchant Bank

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### (ii) Pawn shop business

In January 2006, Rongzhong was granted a pawn shop license in Wuhan, the PRC by the Ministry of Commerce of the PRC. It is principally engaged in the provision of secured consumer finance to customers. The types of collateral that are approved under 典當管理辦法 (the "Dian Dang Administration Rules") include, but not limited to, motor vehicles, real estate properties, machines and jewellery etc. The pawn shop was opened in March 2006 and the total loans granted amounted to approximately RMB12 million as at the date of this annual report. In accordance with the Dian Dang Administration Rules, income from the pawn shop comprises interest and handling fee. The interest is determined with reference to the respective interest rate announced by The People's Bank of China from time to time and the handling fee shall be charged in the following manner:

Movable property	not more than 4.2% per month
Real estate property	not more than 2.7% per month
Financial instruments	not more than 2.4% per month

After joining the World Trade Organisation ("WTO"), the monetary system in the PRC has been gradually opening up to multinational banks and financial institutions. Consumer finance market is expected to grow dramatically especially the PRC government boosts domestic consumption to fuel the economic growth instead of relying heavily on exports. Leveraging on the existing setup, Rongzhong is trying to tap into the credit card market and is in talks with the PRC banks for the issue of credit cards with hire purchase feature. The Directors believe that investment in Rongzhong would be a long term strategic move for the Group. Rongzhong's expertise and network in the PRC would allow the Group to venture into the PRC consumer finance market with promising prospect. The Group is considering to acquire or incorporate two more pawn shops in other PRC cities.



### *Goldbond Capital Holdings Limited ("Goldbond Capital")*

As at 31 March 2006, the Group had a 20% equity interest in Goldbond Capital, which contributed a profit after tax of approximately HK\$5,784,000 during the year under review. Goldbond Capital is 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.

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In light of the strengthened market confidence in Hong Kong, the introduction of Qualified Domestic Institutional Investor ("QDII") and the large-scaled fund raising exercise activities proposed by the PRC enterprises, the Directors take a positive attitude towards the financial market in Hong Kong and the PRC. During the year, Goldbond Capital completed a number of initial public offer of shares, including Golden Eagle Retail Group Limited and Global Flex Holdings Limited which raised an aggregate amount of approximately HK\$1,949 million. Goldbond Capital also acted as arranger for other private fund raising exercises, highlighted by convertible bond placements of Shanghai Real Estate Limited and CITIC 21CN Company Limited which raised approximately HK\$386 million and HK\$546 million respectively. The Directors are of the view that Goldbond Capital will broaden its earning base in the financial industry and will contribute to the Group in the long run.

### **Employees and Remuneration Policy**

As at 31 March 2006, the Group's total number of staff was approximately 648 in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. Other benefits offered to the employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

### **Future Plan**

In view of the substantial 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.