

### FINAL RESULTS

The directors of the Company (the "Directors") are pleased to report that there was remarkable improvement in the Group's results for the year ended 31st March, 2005. The Group achieved a net profit of HK\$16,319,000 which compared favorably against the loss of HK\$12,738,000 in the previous year. Earnings per share were HK0.44 cent. The improvement in the Group's results was primarily attributable to the encouraging performance of the Group's financing and trading businesses.

The Directors do not recommend the payment of a final dividend for the year.

### OPERATIONS REVIEW

For the year under review, the Group was principally engaged in the businesses of financing, trading, securities, property and investment holding. The turnover of the Group, comprising mainly interest income and trading revenue, amounted to HK\$72,238,000 and increased by about 2 times when compared with HK\$23,305,000 last year.

The financing business continued to be a stable and major contributor to the Group's turnover and operating profit. When compared with last year, this segment showed a revenue growth of about 43% to HK\$32,219,000 (2004: HK\$22,475,000) and an increase of operating profit by about 37% to HK\$29,996,000 (2004: HK\$21,898,000). The Group will continue with its established operational strategy to deploy financial resources in hand as capital for its financing business pending the use of such resources for other investment opportunities.

The Group commenced its trading operation during the year which presently focuses on trading of electronic products. For the year under review, this operation generated revenue of HK\$40,018,000 and an operating profit of HK\$358,000. The management is currently exploring trading opportunities in other commodities and activity of this operation is expected to increase in the near future.

The Group was not active in its securities and property operations during the year. The operating loss of the property segment of HK\$133,000 represented mainly property management costs of the Group's investment properties which are currently unoccupied.

The Group's 40% owned associate principally engaged in investment in Hong Kong listed securities performed well during the year. The Group recorded a share of profit from this associate of HK\$494,000 representing mainly holding gains on securities. The performance of the Group's 22.5% owned investee company, Xi'an Yizhiliu Pharmaceutical Co., Ltd. ("Xi'an Yizhiliu"), was however not satisfactory. Xi'an Yizhiliu incurred a loss during the year mainly as a result of the decline in its sales by about 20% due to intense competition from other similar medical products in the China market. Xi'an Yizhiliu has recently conducted certain marketing and advertising campaigns with the view to recapture its market share and the results so far are encouraging. Xi'an Yizhiliu had not distributed any dividend during the year under review.

# MANAGEMENT'S REPORT

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

The Group continued to be in a strong liquidity position throughout the year. At 31st March, 2005, net current assets of the Group amounted to HK\$242,800,000 (2004: HK\$252,955,000) with bank balances and cash totaled HK\$3,744,000 (2004: HK\$28,218,000). Bank balances decreased when compared with the preceding balance sheet date as additional funds were applied to the Group's financing business during the year. The Group had no bank borrowings at 31st March, 2005, accordingly, its gearing ratio was nil at year end.

The Group had no material capital commitment at year end. In light of the amount of liquid assets in hand and banking facility available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group's asset portfolio is mainly financed by its shareholders' funds. At 31st March, 2005, the Group had shareholders' funds of HK\$506,720,000 (2004: HK\$466,683,000), equivalent to a consolidated net asset value of about HK12.6 cents per share of the Company. The increase in shareholders' funds was mainly attributable to the net proceeds of HK\$23,718,000 raised by the Company through placements of 540 million new shares and the net profit of HK\$16,319,000 earned during the year.

### Foreign Currency Management

The Group's foreign currency transactions are mostly denominated in Renminbi. As material fluctuation in exchange rate of Hong Kong dollars to Renminbi is not expected, the Directors are of the view that the Group's exposure to exchange rate risk is not significant.

### Pledge of Assets

None of the Group's assets was pledged at 31st March, 2005.

### Contingent Liabilities

The Group had no material contingent liabilities at 31st March, 2005.

## EMPLOYEES AND REMUNERATION POLICY

At 31st March, 2005, the Group employed 15 staff members including directors of the Company. Staff costs incurred for the year, including directors' remunerations, were HK\$6,562,000 (2004: HK\$6,591,000).

It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remunerations of employees are generally reviewed on an annual basis. Remuneration packages, including the grant of share options, are structured to motivate individual performance and contributions to the Group.

### BUSINESS PROSPECTS

The Group has successfully turned round its results by posting a net profit of HK\$16,319,000 for the year. Looking ahead, the dual focuses of the management will continue to be enhancing the profitability and growth of the Group's existing businesses and looking for investment opportunities that will create substantial value to the Group. Emphasis will continue to be placed on identifying investment opportunities that are Mainland related. Recently, management has started to look into business opportunities in the Inner Mongolia Region of China in the area of manufacturing, trading and travel. In light of the improved performance of the Group's existing businesses and the strategic direction of the Group in seeking investment opportunities in China that are expected to benefit from its sustainable economic growth, the Directors are optimistic about the Group's performance in the coming years.

### POST BALANCE SHEET EVENTS

On 13th June, 2005, the Company put forward various proposals relating to consolidation, placement and subscription of shares of the Company and the placing of convertible notes carrying rights to convert into shares of the Company. On 20th June, 2005, the Company further put forward a proposal involving the change of name of the Company to "INNER MONGOLIA DEVELOPMENT (HOLDINGS) LIMITED". Details of the proposals are contained in the Company's circular dated 4th July, 2005 and all of the above proposals are subject to the passing of the relevant resolutions by the shareholders of the Company at the extraordinary general meeting of the Company to be held on 4th August, 2005. The reason for changing the name of the Company is to better reflect the future focus of the Company's investments, in which the Company will be looking at investment opportunities in China, especially, in the Inner Mongolia Region.

### APPRECIATION

The financial year ended 31st March, 2005 was a successful year for the Group. On behalf of the Board of Directors, I would like to thank all management and staff for their loyal services and contributions to the Group and look forward to their continuous support in the coming years.

On behalf of the Board

**Kwong Wai Tim, William**

*Managing Director*

Hong Kong, 22nd July, 2005