



GOLDBOND GROUP HOLDINGS LIMITED

金榜集團控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 172)

PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2006

The board of directors (the “Directors”) (collectively, the “Board”) of Goldbond Group Holdings Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2006 together with last year’s corresponding comparative figures. The results have been reviewed by the Company’s audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

		2006	2005
	<i>Note</i>	<i>HK\$’000</i>	(restated) <i>HK\$’000</i>
Turnover	3	39,962	24,735
Direct outgoings		(6,040)	(3,893)
		33,922	20,842
Other revenue		4,446	3,905
Other net income/(loss)		2,163	(136)
Selling and administrative expenses		(41,885)	(20,800)
Other operating expenses	4(c)	(14,299)	(2,400)
Change in fair value of investment properties		39,838	40,464
Profit from operations		24,185	41,875
Finance costs	4(a)	(17,705)	(2,495)
Share of profit/(loss) of associate		5,784	(1,351)
Share of profits/(losses) of jointly controlled entities		704	(3,198)
Profit before taxation	4	12,968	34,831
Income tax	5(a)	(9,107)	(7,748)
Profit for the year		3,861	27,083
Attributable to:			
Equity shareholders of the Company		3,861	27,083
Minority interests		—	—
Profit for the year		3,861	27,083
Earnings per share	6		
Basic		0.23 cents	1.63 cents
Diluted		N/A	1.36 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2006

		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
Non-current assets			
Fixed assets	7		
– investment properties		458,700	415,108
– plant and equipment		5,592	779
		<u>464,292</u>	<u>415,887</u>
Interest in associate		35,538	29,280
Interest in jointly controlled entities		95,467	126,549
Intangible assets		3,000	3,000
		<u>598,297</u>	<u>574,716</u>
Current assets			
Loan to associate		40,260	–
Amounts due from jointly controlled entities		11,643	11,315
Trading securities		225	–
Properties held for sale		7,634	–
Trade and other receivables	8	29,577	9,234
Current tax recoverable		–	311
Security deposits		18,848	–
Pledged deposits		20,261	20,005
Cash and cash equivalents		26,292	13,314
		<u>154,740</u>	<u>54,179</u>
Current liabilities			
Interest-bearing bank loans		62,074	13,412
Amount due to a related company		26,302	–
Amounts due to minority shareholders		15,740	–
Current taxation		848	–
Other payables and accruals	9	29,261	14,340
		<u>134,225</u>	<u>27,752</u>
Net current assets		<u>20,515</u>	<u>26,427</u>
Total assets less current liabilities		<u>618,812</u>	<u>601,143</u>
Non-current liabilities			
Interest-bearing bank loans		151,006	164,580
Amounts due to minority shareholders		3,194	–
Convertible notes		88,904	100,000
Redeemable convertible preference shares		1,194	6,840
Deferred taxation		17,000	9,583
		<u>261,298</u>	<u>281,003</u>
Net assets		<u>357,514</u>	<u>320,140</u>

Capital and reserves

Share capital	166,244	166,244
Reserves	191,270	153,896
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company	357,514	320,140
Minority interests	–	–
	<hr/>	<hr/>
Total equity	357,514	320,140
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1 BASIS OF PREPARATION

The financial results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in the financial results is provided in note 2.

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2006 have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2 CHANGES IN ACCOUNTING POLICIES

The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in the financial results.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items as previously reported for the year ended 31 March 2005.

Effect on the consolidated financial results

Consolidated income statement for the year ended 31 March 2005

	2005 (as previously reported) <i>HK\$'000</i>	Effect of new policy (increase/(decrease) in profit for the year)			2005 (as restated) <i>HK\$'000</i>
		HKAS 1 (note 2(e)) <i>HK\$'000</i>	HKFRS 2 (note 2(c)) <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	
Turnover	24,735	–	–	–	24,735
Direct outgoings	(3,893)	–	–	–	(3,893)
	20,842	–	–	–	20,842
Other revenue	3,905	–	–	–	3,905
Other net loss	(136)	–	–	–	(136)
Administrative expenses	(19,948)	–	(852)	(852)	(20,800)
Other operating expenses	(2,400)	–	–	–	(2,400)
Change in fair value of investment properties	40,464	–	–	–	40,464
Profit from operations	42,727	–	(852)	(852)	41,875
Finance costs	(2,495)	–	–	–	(2,495)
Share of loss of associate	(1,351)	–	–	–	(1,351)
Share of losses of jointly controlled entities	(4,654)	1,456	–	1,456	(3,198)
Profit before taxation	34,227	1,456	(852)	604	34,831
Income tax	(6,292)	(1,456)	–	(1,456)	(7,748)
Profit for the year	<u>27,935</u>	<u>–</u>	<u>(852)</u>	<u>(852)</u>	<u>27,083</u>
Attributable to:					
Equity shareholders of the Company	<u>27,935</u>	<u>–</u>	<u>(852)</u>	<u>(852)</u>	<u>27,083</u>
Earnings per share					
Basic (cents)	<u>1.68</u>	<u>–</u>	<u>(0.05)</u>	<u>(0.05)</u>	<u>1.63</u>
Diluted (cents)	<u>1.40</u>	<u>–</u>	<u>(0.04)</u>	<u>(0.04)</u>	<u>1.36</u>
Other significant disclosure item:					
Staff costs	(9,812)	–	(852)	(852)	(10,664)

Consolidated balance sheet at 31 March 2005

	2005 (as previously reported) <i>HK\$'000</i>	Effect of new policy (increase/(decrease) in net assets)			2005 (as restated) <i>HK\$'000</i>
		HKFRS 2 (note 2(c)) <i>HK\$'000</i>	HKAS 32 (note 2(f)) <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	
Total assets less current liabilities	601,143	–	–	–	601,143
Non-current liabilities					
Interest-bearing bank loans	(164,580)	–	–	–	(164,580)
Convertible notes	(100,000)	–	–	–	(100,000)
Redeemable convertible preference shares	–	–	(6,840)	(6,840)	(6,840)
Deferred taxation	(9,583)	–	–	–	(9,583)
	(274,163)	–	(6,840)	(6,840)	(281,003)
NET ASSETS	<u>326,980</u>	<u>–</u>	<u>(6,840)</u>	<u>(6,840)</u>	<u>320,140</u>
CAPITAL AND RESERVES					
Attributable to equity shareholders of the Company					
Share capital	173,084	–	(6,840)	(6,840)	166,244
Share premium	97,713	–	–	–	97,713
Capital reserve	5,000	852	–	852	5,852
Revaluation reserve	3,000	–	–	–	3,000
General reserve	6,000	–	–	–	6,000
Retained profits	42,183	(852)	–	(852)	41,331
	<u>326,980</u>	<u>–</u>	<u>(6,840)</u>	<u>(6,840)</u>	<u>320,140</u>

(b) **Estimated effect of changes in accounting policies for the current period**

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items for the year ended 31 March 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

Effect on the consolidated financial results

Estimated effect on the consolidated income statement for the year ended 31 March 2006

	Estimated effect of new policy (increase/(decrease) in profit for the year)			Total HK\$'000
	HKFRS 2 (note 2(c)) HK\$'000	HKAS 1 (note 2(e)) HK\$'000	HKAS 32 & 39 (note 2(f)) HK\$'000	
Selling and administrative expenses	(2,109)	–	–	(2,109)
Profit from operations	(2,109)	–	–	(2,109)
Finance costs	–	–	(7,606)	(7,606)
Share of profit/(loss) of associate	–	(983)	–	(983)
Share of profits/(losses) of jointly controlled entities	–	(1,213)	–	(1,213)
Profit before taxation	(2,109)	(2,196)	(7,606)	(11,911)
Income tax	–	2,196	–	2,196
Profit for the year	(2,109)	–	(7,606)	(9,715)
Attributable to:				
Equity shareholders of the Company	(2,109)	–	(7,606)	(9,715)
Minority interests	–	–	–	–
Profit for the year	(2,109)	–	(7,606)	(9,715)
Earnings per share				
Basic (cents)	(0.13)	–	(0.46)	(0.59)
Diluted (cents)	–	–	–	–
Other significant disclosure item:				
Staff costs	(2,109)	–	–	(2,109)

Estimated effect on the consolidated balance sheet at 31 March 2006

	Estimated effect of new policy (increase/(decrease) in net assets)			Total HK\$'000
	HKFRS 2 (note 2(c)) HK\$'000	HKFRS 3 (note 2(d)) HK\$'000	HKAS 32 & 39 (note 2(f)) HK\$'000	
Non-current assets				
Interest in associate	–	474	–	474
Interest in jointly controlled entities	–	4,886	–	4,886
	–	5,360	–	5,360
Non-current liabilities				
Convertible notes	–	–	11,096	11,096
Redeemable convertible preference shares	–	–	(1,194)	(1,194)
	–	–	9,902	9,902
NET ASSETS	–	5,360	9,902	15,262
Effect attributable to equity shareholders of the Company				
Share capital	–	–	(6,840)	(6,840)
Capital reserve	2,961	(5,000)	22,297	20,258
Retained profits	(2,961)	10,360	(5,555)	1,844
	–	5,360	9,902	15,262
Effect attributable to minority interests	–	–	–	–
	–	5,360	9,902	15,262

Estimated effect on amounts recognised as capital transactions with owners of the Group for the year ended 31 March 2006

	Effect of new policy (increase/(decrease)) HKFRS 2 (note 2(c)) HK\$'000
Attributable to equity shareholders of the Company	(2,109)
Minority interests	–
Total equity	(2,109)

(c) **Employee share option scheme (HKFRS 2, Share-based payment)**

In prior years, no amounts were recognised when employees (which term includes directors) were granted options over ordinary shares of the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such options as an expense with a corresponding increase recognised in a capital reserve within equity.

The new accounting policy has been applied retrospectively with comparatives restated, except that the Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

- (a) all options granted to employees on or before 7 November 2002; and
- (b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

The adjustments for each financial statement line affected for the years ended 31 March 2005 and 2006 are set out in notes 2(a) and (b). No adjustments to the opening balances as at 1 April 2004 are required as no options existed at that date.

(d) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

Amortisation of goodwill

In prior years:

- positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;
- positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and
- negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 April 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 April 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of the amortisation of positive goodwill had no effect on the financial results as there was no positive goodwill subject to amortisation as at 31 March 2005.

The new policy in respect of negative goodwill has been adopted prospectively in accordance with the transitional arrangements under HKFRS 3. The adjustments for each consolidated financial statement line affected for the year ended 31 March 2006 are set out in note 2(b).

(e) Changes in presentation (HKAS 1, Presentation of financial statements)

(i) Presentation of shares of associate's and jointly controlled entities' taxation (HKAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associate and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 April 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associate and jointly controlled entities accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 2(a).

(ii) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the Company).

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company.

No restatement of comparative figures are necessary since there were no minority interests in the prior year.

(f) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

With effect from 1 April 2005, in order to comply with HKAS 32 and HKAS 39, details of the changes are as follows:

(i) Investments in equity securities

In prior years, trading securities were stated at fair value with changes in fair value recognised in the income statement.

With effect from 1 April 2005, and in accordance with HKAS 39, all trading securities are classified as financial assets at fair value through the income statement and carried at fair value. Changes in fair value are recognised in the income statement. This new accounting policy has no impact on the financial results for the year and the comparative information.

(ii) Convertible notes

In prior years, convertible notes issued were stated at amortised cost (including transaction costs).

With effect from 1 April 2005, and in accordance with HKAS 32 and HKAS 39, convertible notes issued are split into their liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the note is either converted (in which case it is transferred to share premium) or the note is redeemed (in which case it is released directly to retained profits).

The changes in accounting policy were adopted by way of an adjustment to opening balances as at 1 April 2005 and the adjustments for each financial statement line affected for the year ended 31 March 2006 are set out in note 2(b). Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(iii) *Redeemable convertible preference shares*

In prior years, redeemable convertible preference shares were classified as equity based on their legal form. Dividends paid to the preference shares were presented as a distribution to shareholders.

With effect from 1 April 2005, and in accordance with HKAS 32, the classification of redeemable convertible preference shares is based on the substance of the contractual arrangement. Consequently, the shares have been classified as liabilities and dividends on the shares are recognised as an expense in the income statement.

The change in accounting policy has been adopted retrospectively and the effects of which are set out in note 2(a).

Also, with effect from 1 April 2005, and in accordance with HKAS 39, redeemable convertible preference shares are split into their liability and equity components at initial recognition which is similar to convertible notes as explained in note 2(f)(ii). This change has been adopted by way of an adjustment to opening balances as at 1 April 2005 and the adjustments for each financial statement line affected for the year ended 31 March 2006 are set out in note 2(b). Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(g) Retranslation of goodwill on consolidation of a foreign operation (HKAS 21, The effects of changes in foreign exchange rates)

In prior years, goodwill arising on the acquisition of a foreign operation was translated at the exchange rates ruling at the transaction dates.

With effect from 1 April 2005, in order to comply with HKAS 21, the Group has changed its accounting policy relating to retranslation of goodwill. Under the new policy, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and is retranslated at exchange rates ruling at the balance sheet date, together with the retranslation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and is only applied to acquisitions occurring on or after 1 January 2005. As the goodwill arising on the acquisition of the new foreign operations during the year was fully impaired as at 31 March 2006, the change in policy has had no impact on the financial results for the year ended 31 March 2006.

(h) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, "Related party disclosures", still been in effect.

(i) Club debentures (HKAS 38, Intangible assets)

In prior years, club debentures were stated at fair value with changes in fair value recognised in equity.

With effect from 1 April 2005, the Group has adopted a new policy for club debentures. Under the new policy, club debentures are stated at carrying amount less accumulated impairment losses and are tested annually for impairment.

This change in accounting policy has no impact on the financial results for the years presented.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 March 2006

Up to the date of issue of the financial results, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ending 31 March 2006 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial results:

		Effective for accounting periods beginning on or after
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007
Amendments to HKAS 39	Financial instruments: Recognition and measurement:	
	– The fair value option	1 January 2006
	– Financial guarantee contracts	1 January 2006
Amendment to HKAS 21	The effects of changes in foreign exchange rates	
	– Net investment in a foreign operation	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 April 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but the Group is not yet in a position to state whether these amendments will have a significant impact on its results of operations and financial position.

3 TURNOVER AND SEGMENT REPORTING

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

Turnover represents the gross rental income derived from the investment properties situated in Hong Kong and the guarantee service income from provision of financial services in the PRC.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2006 HK\$'000	2005 HK\$'000
Gross rental income	31,871	24,735
Guarantee service income	8,091	–
	<u>39,962</u>	<u>24,735</u>

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Property leasing and development: the leasing of shops/premises to generate rental income and gain from the appreciation in the properties values in the long term.

Financial services: the provision of loan guarantee services and other financial services.

	Property leasing and development		Financial services		Consolidated	
	2006 HK\$'000	2005 (restated) HK\$'000	2006 HK\$'000	2005 (restated) HK\$'000	2006 HK\$'000	2005 (restated) HK\$'000
Revenue from external customers	31,871	24,735	8,091	–	39,962	24,735
Other revenue from external customers	254	460	–	–	254	460
Change in fair value of investment properties	39,838	40,464	–	–	39,838	40,464
	<u>71,963</u>	<u>65,659</u>	<u>8,091</u>	<u>–</u>	<u>80,054</u>	<u>65,659</u>
Segment result	64,547	57,518	(30,171)	–	34,376	57,518
Unallocated operating income and expenses					(10,191)	(15,643)
Profit from operations					24,185	41,875
Finance costs					(17,705)	(2,495)
Share of profits/(losses) of associate and jointly controlled entities	704	(3,198)	5,784	(1,351)	6,488	(4,549)
Income tax					(9,107)	(7,748)
Profit for the year					<u>3,861</u>	<u>27,083</u>
Depreciation and amortisation for the year	(304)	(187)	(710)	–		
Impairment of						
– amounts due from jointly controlled entity	–	–	(2,888)	(2,400)		
– positive goodwill	–	–	(11,411)	–		
– trade receivables	(159)	–	(397)	–		
Segment assets	468,639	419,510	76,350	–	544,989	419,510
Interests in associate and jointly controlled entities	95,467	126,549	35,538	29,280	131,005	155,829
Unallocated assets					77,043	53,556
Total assets					<u>753,037</u>	<u>628,895</u>
Segment liabilities	(174,646)	(187,758)	(62,913)	–	(237,559)	(187,758)
Unallocated liabilities					(157,964)	(120,997)
Total liabilities					<u>(395,523)</u>	<u>(308,755)</u>
Capital expenditure incurred during the year	3,897	5,311	1,144	–		

Geographical segments

The Group operates, through its subsidiaries, associate and jointly controlled entities in two principal economic environments – Hong Kong and the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Hong Kong		PRC	
	2006	2005 (restated)	2006	2005 (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	31,871	24,735	8,091	–
Segment assets	486,138	452,969	83,984	–
Capital expenditure incurred during the year	3,897	5,311	1,144	–

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2006	2005 (restated)
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	2,939	107
Interest on bank loans repayable beyond five years	7,160	2,388
Interest on convertible notes	7,451	–
Interest on redeemable convertible preference shares	155	–
	<u>17,705</u>	<u>2,495</u>
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	22,074	9,639
Contributions to defined contribution retirement plan	1,033	173
Equity-settled share-based payment expenses	2,109	852
	<u>25,216</u>	<u>10,664</u>
(c) Other operating expenses:		
Impairment loss on amount due from jointly controlled entity	2,888	2,400
Impairment of goodwill	11,411	–
	<u>14,299</u>	<u>2,400</u>

(d) **Other items:**

Auditors' remuneration	1,391	789
Depreciation	1,014	187
Impairment loss on trade receivables	556	–
Operating lease charges for property rentals	3,803	–
Net foreign exchange loss	328	–
Share of associate's taxation	983	–
Share of jointly controlled entities' taxation	1,213	(1,456)
Repairs and maintenance expenses of investment properties	667	3,888
Rentals receivable from investment properties less direct outgoings of HK\$6,040,000 (2005: HK\$3,893,000)#	<u>(25,831)</u>	<u>(20,842)</u>

Direct outgoings include approximately HK\$181,000 (2005: HK\$976,000) incurred in relation to vacant units which did not generate any rental income during the year.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2006	2005
	HK\$'000	(restated) HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	1,176	363
Under/(over)-provision in respect of prior years	<u>257</u>	<u>(226)</u>
	1,433	137
Current tax – PRC Income Tax		
Provision for the year	<u>257</u>	<u>–</u>
	1,690	137
Deferred tax		
Origination and reversal of temporary differences	<u>7,417</u>	<u>7,611</u>
	<u>9,107</u>	<u>7,748</u>

The provision for Hong Kong Profits Tax for the year ended 31 March 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2006	2005 (restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>12,968</u>	<u>34,831</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	711	6,095
Tax effect of non-deductible expenses	6,397	1,493
Tax effect of non-taxable income	(1,063)	(16)
Tax effect of unused tax losses not recognised	2,805	402
Under/(over)-provision in prior years	<u>257</u>	<u>(226)</u>
Actual tax expense	<u>9,107</u>	<u>7,748</u>

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$3,861,000 (2005 (restated): HK\$27,083,000), and 1,662,440,000 (2005: 1,662,440,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 March 2006 are not presented as there was no dilutive potential ordinary share at the year end.

The calculation of diluted earnings per share for the year ended 31 March 2005 is based on the restated profit attributable to ordinary equity shareholders of the Company of HK\$27,083,000 and the weighted average number of ordinary shares of 1,994,695,000, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2005 '000
Weighted average number of ordinary shares at 31 March	1,662,440
Effect of conversion of convertible notes	326,473
Effect of conversion of redeemable convertible preference shares	<u>5,782</u>
Weighted average number of ordinary shares (diluted) at 31 March	<u>1,994,695</u>

7 FIXED ASSETS

Investment properties in Hong Kong were valued at HK\$458,700,000 by independent professional qualified valuers, Chesterton Petty Limited ("Chesterton") who have among their Members of the Hong Kong Institute of Surveyors and the valuations have been incorporated in the financial results as at 31 March 2006. Chesterton has recent experience in the locations and categories of properties being valued. The valuations were performed on an open market value basis by reference to the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. As a result of the revaluation, a net gain of HK\$39,838,000 (2005: HK\$40,464,000), and deferred tax thereon of HK\$6,972,000 (2005: HK\$7,081,000), have been included in the consolidated income statement.

Certain of the above investment properties with an aggregate carrying value of HK\$454,900,000 (2005: HK\$415,000,000) have been pledged to a bank as security for certain bank loans and facilities granted to the Group.

8 TRADE AND OTHER RECEIVABLES

Included in the prepayments, deposits and other receivables are amounts totalling RMB18,800,000 (equivalent to approximately HK\$18,077,000) which represent advances to employees. Such advances are secured by the entire equity interest in a company owned by the employees. This company is incorporated and engaged in mining business in the PRC. The advances are interest bearing at 6% per annum and repayable within one year.

All of the trade and other receivables are expected to be recoverable within one year.

Included in trade and other receivables are accounts receivable (net of impairment losses for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current	3,603	221
1 to 3 months overdue	721	69
More than 3 months overdue	289	–
	<hr/> 4,613 <hr/>	<hr/> 290 <hr/>

Credit evaluations are performed on all customers. Customers of property leasing are generally granted credit terms of 30 days while customers of loan guarantee services are required to pay when due.

9 OTHER PAYABLES AND ACCRUALS

Other payables and accruals of the Group are expected to be settled after more than one year is HK\$5,881,000 (2005: HK\$2,390,000).

10 ACQUISITION OF SUBSIDIARIES

On 27 June 2005, the Group entered into an acquisition agreement (the “Acquisition Agreement”) with a shareholder of Rongzhong Group Limited, a jointly controlled entity of the Group. Pursuant to the Acquisition Agreement, the Group acquired an additional 11% equity interest in Rongzhong Group Limited at a consideration of US\$11 (equivalent to approximately HK\$86). Immediately after the completion of the Acquisition Agreement, the Group’s equity interest in Rongzhong Group Limited increased from 40% to 51%. The acquisition was completed on 7 July 2005.

The principal activity of Rongzhong Group Limited is the provision of loan guarantee services in the PRC.

On 31 October 2005, Rongzhong Group Limited completed the acquisition of the entire equity interest in 武漢市融眾信用擔保有限公司 (Wuhan City Rongzhong Credit Guarantee Co., Limited (“Wuhan Rongzhong”)), a company incorporated in the PRC, at a consideration of RMB22,041,000 (equivalent to approximately HK\$21,193,000). The principal activity of Wuhan Rongzhong is the provision of loan guarantee services in the PRC.

The acquisitions contributed revenue of HK\$8,091,000 and a net loss of HK\$27,976,000 to the Group for the period from the acquisition dates to 31 March 2006. If the acquisitions had occurred on 1 April 2005, the Group’s revenue would have been HK\$40,650,000, and profit after taxation would have been HK\$3,861,000.

The Group considered that at each of the date of acquisitions, the carrying amounts of the acquirees' assets and liabilities were not materially different from their fair values. The assets and liabilities arising from the acquisitions are as follows:

Net assets/(liabilities) acquired:

	Rongzhong Group Limited <i>HK\$'000</i>	Wuhan Rongzhong <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cash and cash equivalents	13,269	13,473	26,742
Plant and equipment	2,747	1,894	4,641
Trade and other receivables	35,741	11,673	47,414
Security deposits	5,107	4,594	9,701
Other payables and accruals	(10,009)	(475)	(10,484)
Amount due to shareholders	(60,101)	(13,422)	(73,523)
Net identifiable (liabilities)/assets	<u>(13,246)</u>	<u>17,737</u>	<u>4,491</u>
Share of net liabilities attributable to the Group upon acquisition (11%)	(1,457)		
Net liabilities transferred from minority interests (49%)	(6,491)		
Share of net liabilities attributable to the Group on the purchase of the initial 40% equity interest	<u>(6)</u>		
Net (liabilities)/assets acquired	(7,954)	17,737	9,783
Goodwill arising on consolidation	7,954	3,457	11,411
Total purchase price paid, satisfied in cash	–	21,194	21,194
Less: Cash of subsidiaries acquired	<u>(13,269)</u>	<u>(13,473)</u>	<u>(26,742)</u>
Net cash (inflow)/outflow in respect of the purchase of subsidiaries	<u>(13,269)</u>	<u>7,721</u>	<u>(5,548)</u>

11 COMMITMENTS

(a) Capital commitments outstanding of the Group at 31 March 2006 not provided for in the financial statements were as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Contracted, but not provided for	<u>–</u>	<u>15,210</u>
The Group's share of capital commitments of a jointly controlled entity		
Contracted, but not provided for		
– Construction of properties under development	114,926	142,183
– Acquisition of certain subsidiaries in the PRC	–	13,962
	<u>114,926</u>	<u>156,145</u>

12 DIVIDEND

The Board did not recommend the payment of a dividend in respect of the year (2005: HK\$Nil).

13 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of changes in accounting policies as disclosed in note 2 above.

RESULTS AND DIVIDEND

Turnover of the Group for the year ended 31 March 2006 was approximately HK\$39,962,000 (2005: HK\$24,735,000), an increase of 62% over last year. The increase in fair value of the Group's investment properties and the operating profit from leasing of investment properties were largely offset by the loss from consumer finance business, resulting in a profit after tax of approximately HK\$3,861,000 (2005 (restated): HK\$27,083,000).

The Board did not recommend the payment of a dividend in respect of the year ended 31 March 2006 (2005: HK\$Nil).

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.

Financial services

Rongzhong Group Limited (“Rongzhong”)

In July 2005, the Group acquired further 11 shares in Rongzhong with 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 Rongzhong 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

(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 announcement. 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.

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.

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.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 March 2006, the Group had secured mortgage borrowings of HK\$164,580,000 (31 March 2005: HK\$177,992,000) which bear interest with reference to HIBOR (Hong Kong Interbank Offered Rate) or the best lending rate offered by the Group's principal bank and will be repayable by instalments till 2013. The Group has other secured banking facilities of HK\$116,000,000 (31 March 2005: HK\$66,000,000) granted by several banks in Hong Kong, which were secured by the investment properties, pledged deposits of approximately US\$2,597,000 plus its interest thereupon, a floating charge over the assets of a subsidiary of the Company, and a corporate guarantee and certain properties of related companies. All these banking facilities bear interest with reference to the HIBOR and were utilized up to HK\$48,500,000 as at 31 March 2006 (31 March 2005: HK\$Nil).

As at 31 March 2006, the Group had amounts due to a related company in the principal amount of HK\$20,000,000 and RMB5,000,000 respectively (31 March 2005: HK\$Nil), which bear interest with reference to the best lending rates offered by the Group's principal banks, and are unsecured and repayable in 2006. Besides, the Group had amounts due to minority shareholders in the principal amount of RMB15,000,000 and HK\$3,000,000 respectively (31 March 2005: HK\$Nil), which bear interest with reference to the best lending rates offered by the Group's principal banks, and are unsecured and repayable in 2006 and 2007 respectively. At present, the Group has not used any derivative to hedge against the interest rate risk exposure.

The Group had maintained adequate liquidity with cash and bank balances of HK\$26,292,000 (31 March 2005: HK\$13,314,000). The gearing ratio as at 31 March 2006, measured as total liabilities to total assets, was 52.52% (31 March 2005 restated: 49.09%).

The Group's transaction and monetary assets are principally denominated in Hong Kong dollars, United States dollars and Renminbi. The consumer finance services were all provided in the PRC and conducted in Renminbi. With relatively stable exchange rates of Renminbi to Hong Kong dollar and Hong Kong's linked exchange rate between United States dollar and Hong Kong dollar, the Group's exposure to foreign exchange risk remained low.

Charges on the Group's Assets

As at 31 March 2006, the bank loans and banking facilities granted to the Group were secured by:

- (i) a legal charge over investment properties with an aggregate carrying value of HK\$454,900,000 (31 March 2005: HK\$415,000,000);
- (ii) an 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;
- (iv) floating charge over assets of Rongzhong Group Limited;
- (v) a fixed deposit of approximately US\$2,597,000 plus accrued interest; and
- (vi) security deposits in an aggregate of approximately HK\$18,848,000 (31 March 2005: HK\$Nil).

As at 31 March 2006, the bank loans and 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., Limited; and
- (ii) the assignment of dividends, profits and other monies derived therefrom.

Contingent liabilities

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

- (i) the Company has given a guarantee of US\$3,750,000 (equivalent to approximately HK\$29,250,000) in respect of banking facilities granted to a jointly controlled entity, the Group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities.
- (ii) the Company has given a guarantee to a bank to secure a bank loan.
- (iii) during the current year, the Company entered into funding, allocation and distribution agreements in respect of a new bank loan of RMB148,977,000 (equivalent to approximately HK\$143,247,000) borrowed by a jointly controlled entity.

Pursuant to such agreements, the Company has taken on the funding undertakings and buy-back undertakings, details of which were set out in the Company's circular dated 14 June 2005. All these undertakings are in aggregate subject to a maximum of 16.7% of the outstanding amounts and any other associated costs from time to time in respect of such loan, under which the Company will, pursuant to the agreements, purchase the residential units in the North Tower of Phase 1 of Nanjing International Center at RMB5,000 per square metre or, if required by the bank, arrange a refinancing facility.

- (iv) the Group has contingent liabilities of RMB142,397,000 (equivalent to approximately HK\$136,920,000) in relation to the provision of the guarantee services in the PRC.

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.

CORPORATE GOVERNANCE

The Company applied the principles and complied with all requirements set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "CG Code"), throughout the review period with certain deviations from code provisions A.2.1 and A. 4.2 in respect of the separate roles of chairman and chief executive officer and the rotation of Directors respectively.

To ensure compliance with the CG Code, (i) the Board is considering an appropriate appointment of a chairman of the Company; and (ii) relevant amendments to the articles of association of the Company will be proposed at the annual general meeting of the Company to be held in September 2006.

Further information on the Company's corporate governance practices and details of the Company's deviations from certain code provisions of the CG Code during the year under review will be set out in the corporate governance report to be contained in the Company's 2005/06 annual report which will be sent to its shareholders on or about 21 July 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities during the Year.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprised Mr. Wong Yu Lung, Charles, Mr. Lan Ning, Mr. Kee Wah Sze and Mr. Ding Chung Keung, Vincent (executive Directors), Mr. Ip Yin Wah, Mr. Ma Ho Fai JP and Mr. Melvin Jitsumi Shiraki (independent non-executive Directors).

PUBLICATION OF THE RESULTS AND ANNUAL REPORT

This preliminary announcement of the results is published on the website of the Stock Exchange (www.hkex.com.hk). The Company's 2005/06 annual report will be dispatched to the shareholders and available on the same website on or about 21 July 2006.

By order of the Board
Wong Yu Lung, Charles
Chief Executive Officer

Hong Kong, 6 July 2006

“Please also refer to the published version of this announcement in *The Standard*”