澳門祥泰地產集團有限公司*

MACAU PRIME PROPERTIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2006

RESULTS

The board of directors (the "Board") of Macau Prime Properties Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2006, together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2006

	NOTES	**2006** **HK$'000**	2005 HK$'000 (restated)
Turnover	4	**842,256**	379,396
Cost of sales		**(720,841)**	(259,478)
Gross profit		**121,415**	119,918
Other income		**21,787**	2,139
Distribution costs		**(72,630)**	(57,942)
Administrative expenses		**(50,363)**	(31,716)
Other expenses		**(39)**	(567)
Doubtful debts provided		**–**	(1,729)
Loss arising from change in fair value of financial assets at fair value through profit or loss		**(1,645)**	–
Gain on disposal of investment in securities		**–**	30
Amortisation of goodwill arising on acquisition of subsidiaries		**–**	(1,051)
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries		**(21,885)**	–
Impairment loss of property, plant and equipment		**(25,851)**	–
Loss on disposal of investment properties		**–**	(3,217)
Decrease in fair value of investments held-for-trading		**(4,401)**	–
Unrealised holding loss of other investments		**–**	(4,226)
Share of results of an associate		**(5)**	–
Finance costs	5	**(36,818)**	(7,554)
(Loss) profit before taxation		**(70,435)**	14,085
Taxation	6	**(2,657)**	(1,823)
(Loss) profit for the year	7	**(73,092)**	12,262
Attributable to:			
Equity holders of the Company		**(72,960)**	12,262
Minority interests		**(132)**	–
		(73,092)	12,262
		HK cents	*HK cents*
(Loss) earnings per share	8		
– Basic		**(17.2)**	7.6
– Diluted		**N/A**	6.3

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET
AT 31ST MARCH, 2006

	NOTES	2006 HK$'000	2005 HK$'000 (restated)
Non-current assets			
Property, plant and equipment		**38,627**	64,353
Prepaid lease payments		**1,375**	1,365
Intangible assets		**2,986**	2,015
Goodwill		**–**	21,885
Interest in an associate		**–**	–
Deposits and expenses paid for acquisition of subsidiaries and associates		**253,964**	–
Loan receivables		**4,635**	–
		301,587	89,618
Current assets			
Inventories		**70,859**	59,280
Properties held for sale		**58,536**	58,536
Debtors, deposits and prepayments	*9*	**193,365**	38,280
Loan receivables		**59,314**	31,500
Prepaid lease payments		**30**	30
Investments held-for-trading		**9,043**	–
Investments in securities		**–**	10,289
Pledged bank deposits		**3,000**	3,000
Bank balances and cash		**705,480**	187,980
		1,099,627	388,895
Current liabilities			
Creditors and accrued charges	*10*	**70,237**	62,772
Tax payable		**1,273**	1,041
Obligations under finance leases – due within one year		**143**	23
Promissory note payables		**–**	13,000
Convertible note payables		**221**	180
Bank and other borrowings – due within one year		**45,170**	62,146
		117,044	139,162
Net current assets		**982,583**	249,733
Total assets less current liabilities		**1,284,170**	339,351
Non-current liabilities			
Obligations under finance leases – due after one year		**96**	119
Bank and other borrowings – due after one year		**–**	5,625
Convertible note payables		**838,241**	84,803
		838,337	90,547
		445,833	248,804
Capital and reserves			
Share capital		**6,314**	3,610
Reserves		**438,703**	245,194
Equity attributable to equity holders of the Company		**445,017**	248,804
Minority interests		**816**	–
		445,833	248,804

Notes:

1. **BASIS OF PREPARATION**
The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the financial statements included applicable disclosure required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Companies Ordinance.

2. **PRINCIPAL ACCOUNTING POLICIES**
The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

In the current year, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes of presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Business combinations
The Group has applied HKFRS 3 "Business Combination" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill
In previous periods, goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group, on 1st April, 2005, eliminated the carrying amount of the related accumulated amortisation of HK$1,051,000, with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

Share-based payments
HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("cash-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st April, 2005. In relation to share options granted before 1st April, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st April, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st April, 2005. Because there were no unvested share options at 1st April, 2005 and no share options have been granted during the year, the adoption of HKFRS 2 has had no impact on the Group's results for the current or prior accounting periods.

Financial instruments
In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes
The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The liability component is classified as a liability while the equity component is included in reserves. Because HKAS 32 requires retrospective application, comparative figures for 2005 have been restated. Liabilities as at 31st March, 2005 have been decreased by HK$5,197,000, with a decrease in share premium of HK$247,000, an increase in accumulated profits of HK$2,324,000 and an increase in reserves by HK$3,120,000. Interest payable of HK$180,000 included in creditors and accrued charges at 31st March, 2005 has been classified to convertible note payables (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities
The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st April, 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. Other investments classified as investments in securities with a carrying amount of HK$10,289,000 were classified to investments held-for-trading.

Financial assets and financial liabilities other than debt and equity securities
From 1st April, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirement of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. During the year, the Group has acquired and designated all equity-linked notes as "financial assets at fair value through profit or loss". The adoption of HKAS 39 has had no material effect on the Group's accumulated profits at 1st April, 2005.

Owner-occupied leasehold interest in land
In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

3. **SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES**

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior year are as follows:

	Effect of adopting	**2006** *HK$'000*	2005 *HK$'000*
Increase in impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	HKFRS 3	**(1,146)**	–
Decrease in amortisation of goodwill	HKFRS 3	**1,146**	–
Increase in interest on the liability component of convertible notes	HKAS 32	**(19,839)**	(175)
Decrease in administrative expenses in respect of the capitalisation of transaction costs incurred for issue of convertible notes	HKAS 32	**–**	2,499
Increase in (loss) profit for the year		**(19,839)**	2,324

The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated) *HK$'000*	**Effect of HKAS 17** *HK$'000*	**Effect of HKAS 32** *HK$'000*	**As at 31st March, 2005 (restated)** *HK$'000*	**Effect of HKAS 39** *HK$'000*	**As at 1st April, 2005 (restated)** *HK$'000*
Balance sheet items						
Property, plant and equipment	65,748	(1,395)	–	64,353	–	64,353
Prepaid lease payments	–	1,395	–	1,395	–	1,395
Investments in securities	10,289	–	–	10,289	(10,289)	–
Investments held-for-trading	–	–	–	–	10,289	10,289
Creditors and accrued charges	(62,952)	–	180	(62,772)	–	(62,772)
Convertible note payables						
– current portion	–	–	(180)	(180)	–	(180)
– non-current portion	(90,000)	–	5,197	(84,803)	–	(84,803)
Total effects on assets and liabilities	(76,915)	–	5,197	(71,718)	–	(71,718)
Share premium	102,604	–	(247)	102,357	–	102,357
Accumulated profits	112,720	–	2,324	115,044	–	115,044
Convertible loan notes equity reserve						
– equity component of convertible notes	–	–	3,120	3,120	–	3,120
Total effects on equity	215,324	–	5,197	220,521	–	220,521

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company have commenced considering the potential impact of these new standards, amendments and interpretations and anticipated that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC)-INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC)-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[4]
HK(IFRIC)-INT 8	Scope of HKFRS2[5]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives[6]

1 Effective for accounting periods beginning on or after 1st January, 2007.
2 Effective for accounting periods beginning on or after 1st January, 2006.
3 Effective for accounting periods beginning on or after 1st December, 2005.
4 Effective for accounting periods beginning on or after 1st March, 2006.
5 Effective for accounting periods beginning on or after 1st May, 2006.
6 Effective for accounting periods beginning on or after 1st June, 2006.

4. **SEGMENT INFORMATION**

Business segments

For management purposes, the Group is currently organised into four (2005: three) operating divisions – manufacture and trading of medicine and health food, trading of motorcycles, property development and investment and securities investment. These divisions are the basis on which the Group reports its primary segment information.

During the year, the Group has classified securities investment as its operating division.

INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2006

	Medicine and health food HK$'000	Motorcycles HK$'000	Property HK$'000	Securities investment HK$'000	Consolidated HK$'000
TURNOVER	**324,800**	**11,756**	**2,198**	**503,502**	**842,256**
SEGMENT RESULTS	**(30,527)**	**471**	**1,545**	**(3,440)**	**(31,951)**
Unallocated corporate income					**19,323**
Unallocated corporate expenses					**(20,984)**
Share of results of an associate	**(5)**	**–**	**–**	**–**	**(5)**
Finance costs					**(36,818)**
Loss before taxation					**(70,435)**
Taxation					**(2,657)**
Loss for the year					**(73,092)**

BALANCE SHEET
AT 31ST MARCH, 2006

	Medicine and health food HK$'000	Motorcycles HK$'000	Property HK$'000	Securities investment HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**144,202**	**1,750**	**210,264**	**9,043**	**365,259**
Unallocated corporate assets					**1,035,955**
Consolidated total assets					**1,401,214**
LIABILITIES					
Segment liabilities	**61,789**	**312**	**3,109**	**–**	**65,210**
Unallocated corporate liabilities					**890,171**
Consolidated total liabilities					**955,381**

INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2005

	Medicine and health food *HK$'000*	Motorcycles *HK$'000*	Property *HK$'000*	Consolidated *HK$'000* (restated)
TURNOVER	275,952	11,737	91,707	379,396
SEGMENT RESULTS	2,888	542	27,160	30,590
Unallocated corporate income				2,139
Unallocated corporate expenses				(11,090)
Finance costs				(7,554)
Profit before taxation				14,085
Taxation				(1,823)
Profit for the year				12,262

BALANCE SHEET
AT 31ST MARCH, 2005

	Medicine and health food *HK$'000*	Motorcycles *HK$'000*	Property *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	218,491	2,019	62,156	282,666
Unallocated corporate assets				195,847
Consolidated total assets				478,513
LIABILITIES				
Segment liabilities	57,986	753	1,636	60,375
Unallocated corporate liabilities				169,334
Consolidated total liabilities				229,709

Geographical segments
The Group's operations are principally located in Hong Kong, the PRC, Macau and other countries including Canada, Taiwan and Singapore. The Group's administrative functions were carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2006 ***HK$'000***	2005 *HK$'000*
Hong Kong	**754,026**	288,326
PRC	**59,818**	60,687
Other countries	**28,412**	30,383
	842,256	379,396

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, intangible assets and goodwill, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, intangible assets and goodwill	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Segment assets				
Hong Kong	**890,371**	387,351	**4,634**	97,926
PRC	**225,079**	78,351	**6,091**	857
Macau	**18,923**	–	**–**	–
Other countries	**12,877**	12,811	**997**	92
	1,147,250	478,513	**11,722**	98,875
Other assets	**253,964**	–	**–**	–
	1,401,214	478,513	**11,722**	98,875

5. **FINANCE COSTS**

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Interest on bank and other borrowings wholly repayable within five years	**3,428**	5,677
Interest on obligations under finance leases	**18**	14
Effective interest on convertible notes	**33,372**	543
Loan arrangement fees	**–**	1,320
	36,818	7,554

6. **TAXATION**

	2006	2005
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**33**	5
Taxation in other jurisdictions	**2,624**	1,818
	2,657	1,823

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

7. **(LOSS) PROFIT FOR THE YEAR**

	2006	2005
	HK$'000	*HK$'000*
		(restated)
(Loss) profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment:		
– assets owned by the Group	**10,209**	8,783
– assets held under finance leases	**37**	26
Amortisation of prepaid lease payments	**30**	27
Amortisation of intangible assets	**171**	71
Loss on disposal of property, plant and equipment	**544**	66
Cost of inventories recognised as an expense	**203,288**	241,700

8. **(LOSS) EARNINGS PER SHARE**

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Earnings:		
(Loss) profit for the year attributable to equity holders of the Company and (loss) earnings for the purpose of basic (loss) earnings per share	**(72,960)**	12,262
Effect of dilutive potential ordinary shares		
– interest on convertible notes		543
Earnings for the purpose of diluted earnings per share		12,805
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**424,304,856**	160,809,612
Effect of dilutive potential ordinary shares		
– share options		26,804
– convertible notes		42,356,597
Weighted average number of ordinary shares for the purpose of diluted earnings per share		203,193,013

No diluted loss per share was presented for year ended 31st March, 2006 because the exercise of the share options and the conversion of convertible note would result in a decrease in loss per share.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade receivables of approximately HK$21,374,000 (2005: HK$27,672,000).

The following is an aged analysis of trade debtors at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**19,309**	16,336
61 – 90 days	**528**	11,336
Over 90 days	**1,537**	–
	21,374	27,672

The fair values of the Group's trade and other receivables approximate their corresponding carrying amounts.

10. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK$51,963,000 (2005: HK$44,713,000).

The following is an aged analysis of trade creditors at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**22,496**	20,206
61 – 90 days	**21,329**	20,037
Over 90 days	**8,138**	4,470
	51,963	44,713

The fair values of the Group's creditors and accrued charges approximate their corresponding carrying amounts.

11. COMPARATIVE FIGURES

Certain comparative figures presented in these audited consolidated financial statements have been restated to comply with the relevant new HKFRSs as set out in Note 3.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31st March, 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's turnover for the year ended 31st March, 2006 was approximately HK$842.3 million, representing an increase of 122% as compared with the comparative period of HK$379.4 million. This substantial increase is mainly due to the expansion in the activity of securities investment, being part of the Group's strategy in short term treasury management, which contributed HK$503.5 million to the Group's turnover during the year under review.

During the year, there was an increase in interest expense of HK$29.3 million mainly due to the issue of convertible notes which interest expenses were calculated with reference to the effective interest rate on adoption of new accounting standard. An impairment loss for goodwill of HK$21.9 million has been charged to the income statement. In addition, the Group has carried out a review of the recoverable amount of manufacturing plant and equipment used in medicine and health food segment which resulted in an impairment loss of HK$25.9 million. As a result, the Group incurred a loss for the year of HK$73.1 million. The loss per share for the current year was 17.2 cents.

Property Development and Investment

During the year, the Group has been actively looking for investment opportunities in properties. In February 2006, the Group entered into an agreement to acquire the entire issued share capital of Everight Investment Limited ("Everight", together with its subsidiaries "Everight Group") and certain loan owed by Everight to a vendor for an aggregate consideration of HK$140 million, which was to be satisfied as to HK$80 million by cash and HK$60 million by issue of convertible notes. Everight Group is principally engaged in operation of golf club, hotel, resorts and development and management of luxurious residential properties in Lotus Hill, Panyu, Guangdong and Yalong Bay, Sanya, Hainan. The acquisition enables the Group to diversify into the PRC property market and to develop luxurious residential properties in Guangzhou. In addition, the Group can further expand its investment portfolio into hotel and resort facilities. Furthermore, with golfing becoming a popular activity, the operation of golf club, hotel and resort facilities will provide the Group with an additional growing source of revenue. To facilitate the development of luxurious residential properties by Everight Group, in accordance with a shareholders' agreement of a non wholly-owned subsidiary of Everight, the Group agreed to provide a shareholder's loan for the first two years commencing from the date of the shareholders' agreement up to a maximum amount of HK$80 million. The acquisition has been completed in June 2006.

In March 2006, the Group entered into an agreement to acquire 40% of the issued share capital of Orient Town Limited ("Orient Town", together with its subsidiaries "Orient Town Group") for a cash consideration of HK$280, which principal asset is its indirect interest in 14 parcels of leased land in Estrada de Sac Pai Van, Macau. In addition, the Group agreed to advance a shareholder's loan of HK$885 million to Orient Town in order to partially finance its indirect investment in the land. The chance of acquiring significant block of land in Macau at the current location does not come by very often, this acquisition enables the Group to diversify into the property market in Macau and to have an interest in a quality residential properties and service apartments development project of total gross saleable area of approximately 600,000 m^2. The acquisition has been completed in June 2006.

There are 24 residential units and 1 commercial unit at Talon Tower on Connaught Road West remain unsold at 31st March, 2006.

Securities Investment
During the year, the Group has expanded its activity in securities investment with an aim to maximising the short term yield from the surplus cash balances. A net loss of HK$3.4 million was reported for this segment. At the year end, the Group held investments held-for-trading in aggregate of HK$9.0 million, all of which are shares listed in Hong Kong.

Manufacture and Trading of Medicine and Health Food
Since Tung Fong Hung Investment Limited and Jean-Marie Pharmacal Company Limited (collectively the "Medicine Business") were acquired by the Group around end of April 2004, their results for the eleven months ended 31st March, 2005 had been accounted for by the Group in the comparative period. After taking into account this factor, as compared with the comparative period, the segment turnover for the year is HK$324.8 million, increased by 10% from that of 2005. However, due to recognition of an impairment loss in respect of goodwill arising from acquisition of the Medicine Business of HK$21.9 million and an aggregate impairment loss of HK$25.9 million in respect of the manufacturing plant and equipment, this segment incurred a loss of HK$30.5 million as compared with a profit of HK$2.9 million for 2005.

Financial review
During the year, the entire remaining principal of HK$90 million of the 3-year convertible notes were converted into approximately 215.9 million shares in the Company. To strengthen its resources for expanding the activity in property investment, the Group has further issued 5-year convertible notes in August 2005 to raise HK$1,000 million, which can be converted into shares of the Company at an initial conversion price of HK$0.44 per share and repayable at the fifth anniversary from the issue date (or the next following business day if it is not a business day). Unless they are previously converted, redeemed or purchased and cancelled prior to their maturity, will be redeemed at 110% of their principal amount. In accordance with the new accounting standard adopted by the Group during the year, an amount of HK$160.9 million representing the estimated equity component of the 5-year convertible notes was recorded to increase the reserve of the Group. As a result, after offsetting by the loss of HK$73.1 million incurred for the year, the net asset value of the Group was increased by 79% from HK$248.8 million at 31st March, 2005 to HK$445.8 million at the year end. During the year, an aggregate principal amount of HK$24 million of the 5-year convertible notes was converted into approximately 54.5 million shares in the Company and the outstanding principal amount of the 5-year convertible notes at the year end was HK$976 million.

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. In addition to the above convertible note payables in aggregate of HK$976 million outstanding at the year end, a variety of credit facilities is maintained so as to meet its working capital requirements of the Group. At the end of the year, total bank borrowings amounted to HK$45.2 million, which is repayable within one year.

The net gearing ratio of the Group, calculated with reference to the total bank loans of HK$45.2 million and the fair value of the liability component of convertible note payables of HK$838.5 million, offsetting with the pledged bank deposits and the bank and cash balances of HK$708.5 million, and the Group's shareholders' funds of HK$445.0 million, was 0.39 at 31st March, 2006.

All the bank borrowings were interest-bearing with reference to Hong Kong inter-bank offer rate or prime rate. The management believes that interest rate remains stable in the capital market and therefore no hedge is to be made against interest rate fluctuation. Most of the assets and liabilities of the Group were denominated in Hong Kong dollars, and hence the Board considers that the Group was not subject to any material exchange rate exposure.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME
As at 31st March, 2006, the number of employees was 583 (2005: 515). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. During the year, the Group had also provided other benefits such as medical, insurance cover and retirement schemes to the employees.

OUTLOOK
Due to the opening up of the casino business, tourism in Macau is enjoying a rapid growth which in turn boosts its economy in various sectors. It is generally anticipated that there will be a significant rise in the future population of Macau, which includes certain number of expatriates of the high income cluster. The Macau property market has been strong in all sectors, including residential, shops, office, hotels and industrial properties. Quality residential units, which are currently of limited supply in Macau, will suit the increasing demand for better living conditions of the Macau residents in line with ongoing improvement of their household income. It is expected that the investment in Orient Town Group will contribute a substantial return to the Group in the coming years.

After the acquisition of Everight Group, the development of luxurious residential properties in Guangzhou, an affluent city with rapid growth in its economy in which there is increasing demand of quality residential units, is expected to accelerate the future growth of the Group. In addition, Yalong Bay is one of the preferred destinations for leisure travelling in the PRC which has already been developed into high-end leisure spot, the development of hotel and resort facilities within the golf club in Sanya will contribute considerable recurring revenue to the Group. After the scheduled expansion of the golf course from existing 18 holes to 27 holes and completion of the club house and ancillary facilities, full operation of the golf club in Sanya is expected in late 2006 which will be in time to capture business growth in the coming peak season.

Subsequent to the year end, the Group has further raised in aggregate of approximately HK$1,500 million through the issue of 5-year convertible notes due 2011 and share placing. Having abundant resources, in addition to financing the above property development projects, the Group is actively and cautiously exploring suitable investment opportunities, with its primary focus on the property markets in Macau and its surrounding area.

SUBSEQUENT EVENTS

In addition to the completion of the acquisitions of equity interests in Everight and Orient Town respectively, which details have been set out in the above section headed "Property Development and Investment", the Group has the following significant events subsequent to 31st March, 2006:

1. In April 2006, the Company has entered into subscription agreements with 17 investors for the issue of 1% convertible notes ("Issue of Notes") in aggregate principal amount of HK$1,000 million (before expenses), which is convertible into shares in the Company at an initial conversion price of HK$0.70 per share (subject to adjustment) and will be redeemed at 110% of their principal amount on 14th June, 2011 unless they are previously converted, redeemed or purchased and cancelled. Simultaneously, the Company has also entered into an agreement for the placing of 833,332,000 shares in the Company ("Share Placing") at HK$0.60 per share to raise approximately HK$500 million (before expenses). Both the Issue of Notes and Share Placing have been completed in June 2006.
2. As part of the consideration for the acquisition of Everight, the Company has issued zero coupon convertible notes to the vendors of Everight in aggregate principal amount of HK$60 million, which is convertible into shares in the Company at an initial conversion price of HK$0.44 per share (subject to adjustment) and will be redeemed at 108.3% of their principal amount on 11th August, 2010 unless they are previously converted, redeemed or purchased and cancelled.
3. As a term of acquiring 40% issued share of Orient Town, the Group has been granted a call option to acquire an additional 70 shares in Orient Town, representing 10% of the issued share capital in Orient Town. In June 2006, the Group granted consent to the vendor of Orient Town to dispose of 105 shares in Orient Town to, and grant another call option of acquiring further 70 shares in Orient Town to, an independent third party. The Group further agreed that upon exercise of the call option by that independent third party, the Group's call option should be reduced by half from 70 shares to 35 shares in Orient Town. By granting such consent, the Group will be compensated for approximately HK$32.3 million upon the cancellation of its call option.

PLEDGE OF ASSETS

As at 31st March, 2006, the Group's properties held for sale in an aggregate value of approximately HK$58.5 million, bank balance of HK$3.0 million, and certain property, plant and equipment of a subsidiary of the Company of approximately HK$2.9 million had been pledged to banks and financial institutions to secure general credit facilities granted to the Group.

CONTINGENT LIABILITIES

As at the year end, the Group had contingent liabilities in respect of a tax indemnity given upon disposal of a subsidiary at HK$60 million.

SECURITIES IN ISSUE

During the year, the Company had issued 112,698,063, 103,197,616 and 54,545,453 ordinary shares upon conversion of convertible notes at the conversion prices of HK$0.414, HK$0.42 and HK$0.44 per share respectively. In addition, share options of 27,300 shares were cancelled or lapsed and there were no share options granted and outstanding at the year end. As at 31st March, 2006, there were 631,436,639 shares in issue.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2006.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of governance practices and procedures and complying with statutory and regulatory requirements with an aim to maximising the shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. Throughout the year ended 31st March, 2006, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation from code provision A.4.2 of the Code:

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. At the annual general meeting of the Company held on 9th September, 2005, retirement of directors by rotation was governed by the previous Bye-laws which stipulate, inter alia, that one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In order to comply with the code provision A.4.2 of the Code, relevant amendments to the Bye-laws were proposed and approved by the shareholders at the same annual general meeting of the Company, pursuant to which every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

AUDIT COMMITTEE

The principal duties of the audit committee ("Audit Committee") include reviewing the Group's interim and final results prior to recommending them to the Board's approval, the appointment of external auditors and reviewing the relationship with the external auditors of the Company, reviewing the Group's financial information and the Company's financial reporting system and internal control procedures. The Audit Committee comprises three independent non-executive directors, namely Mr. Wong Chi Keung, Alvin (chairman of the Audit Committee), Mr. Kwok Ka Lap, Alva and Mr. Chui Sai Cheong.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st March, 2006 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary results announcement.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Specific enquiry has been made with all directors of the Company and the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2006.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at 11:00 a.m. on Friday, 8th September, 2006 at Conference Room, 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong. A circular containing the notice of the AGM and information regarding, inter alia, re-election of retiring directors, general mandates to issue new shares and to repurchase shares and refreshment of the 10% limit on the grant of options under the scheme option scheme will be despatched to the shareholders in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange. The annual report for the year ended 31st March, 2006 will be despatched to the shareholders and published on the website of the Stock Exchange in due course.

APPRECIATION

I would like to take this opportunity to express my appreciation to the shareholders for their support, to the management and staff for their dedicated efforts and to our client, consultants and partners for all their valuable assistance offered during this past year.

On behalf of the Board
Cheung Hon Kit
Chairman

Hong Kong, 27th July, 2006

As at the date of this announcement, the Board comprises Mr. Cheung Hon Kit (Chairman) and Mr. Chan Fut Yan (Managing Director) as executive directors, Mr. Ho Hau Chong, Norman (Deputy Chairman) and Mr. Lo Lin Shing, Simon as non-executive directors, and Mr. Wong Chi Keung, Alvin, Mr. Kwok Ka Lap, Alva and Mr. Chui Sai Cheong as independent non-executive directors.

"Please also refer to the published version of this announcement in The Standard."