

金榜集團控股有限公司
GOLDBOND GROUP HOLDINGS LIMITED



The board of directors (the "Board") of Goldbond Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004 together with the comparative figures. The results have been reviewed by the Company's auditors, KPMG, and by the Company's audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 September 2004

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2004 \$'000 (unaudited)	2003 \$'000 (unaudited)
Turnover	2	11,914	12,944
Direct outgoings		(1,062)	(79)
Gross profit		10,852	12,865
Other revenue	3	2,342	366
Other net loss	3	(135)	(1,988)
Surplus on revaluation of investment properties		–	15,000
Administrative expenses		(7,332)	(8,002)
Profit from ordinary activities before taxation	4	5,727	18,241
Finance costs		(1,150)	(2,795)
Share of losses of jointly controlled entities		(2,427)	–
Profit before taxation		2,150	15,446
Income tax	5	(480)	(340)
Net profit attributable to shareholders		1,670	15,106
Earnings per share			
Basic	6(a)	0.1 cent	4.6 cents
Diluted	6(b)	0.1 cent	N/A
Interim dividend	18	Nil	Nil

The notes on pages 6 to 16 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET*at 30 September 2004**(Expressed in Hong Kong dollars)*

		At	At
		30 September	31 March
		2004	2004
	<i>Note</i>	\$'000	\$'000
		(unaudited)	(audited)
Non-current assets			
Fixed assets	7	371,030	370,876
Interests in jointly controlled entities		90,097	92,524
Other investments		14,700	14,700
		475,827	478,100
Current assets			
Amounts due from jointly controlled entities		10,413	10,063
Trade and other receivables	8	4,173	1,746
Current tax recoverable		–	67
Pledged deposits	9	20,000	20,000
Cash and cash equivalents		57,984	9,583
		92,570	41,459
Current liabilities			
Interest-bearing bank loan (secured)	10	13,089	12,773
Amounts due to related companies		–	12,078
Other payables and accruals		10,841	15,699
Current taxation		413	–
		24,343	40,550
Net current assets			
		68,227	909
Total assets less current liabilities			
		544,054	479,009

CONSOLIDATED BALANCE SHEET*at 30 September 2004 (Continued)**(Expressed in Hong Kong dollars)*

		At	At
		30 September	31 March
		2004	2004
	<i>Note</i>	\$'000	\$'000
		(unaudited)	(audited)
Non-current liabilities			
Interest-bearing bank loan (secured)	10	(171,367)	(177,992)
Convertible note	11	(70,000)	–
Deferred tax liabilities		(2,908)	(2,908)
		(244,275)	(180,900)
		299,779	298,109
Capital and reserves			
Share capital	12	173,084	173,084
Reserves	13	126,695	125,025
		299,779	298,109

The notes on pages 6 to 16 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*for the six months ended 30 September 2004**(Expressed in Hong Kong dollars)*

	Six months ended	
	30 September	
	2004	2003
	\$'000	\$'000
	(unaudited)	(unaudited)
Shareholders' equity at 1 April	298,109	133,023
Net profit attributable to shareholders	1,670	15,106
Shareholders' equity at 30 September	299,779	148,129

The notes on pages 6 to 16 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the six months ended 30 September 2004**(Expressed in Hong Kong dollars)*

	Six months ended	
	30 September	
	2004	2003
	\$'000	\$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(1,692)	2,691
Net cash (used in)/generated from investing activities	(369)	952
Net cash generated from financing activities	50,462	1,223
Increase in cash and cash equivalents	48,401	4,866
Cash and cash equivalents at 1 April	9,583	13,102
Cash and cash equivalents at 30 September	57,984	17,968

The notes on pages 6 to 16 form part of this interim financial report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (formerly known as the Hong Kong Society of Accountants). KPMG's independent review report to the Board is included on page 17.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2004 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 8 July 2004.

The same accounting policies adopted by the Group for the preparation of the financial statements for the year ended 31 March 2004 have been applied in the preparation of this interim financial report.

2. TURNOVER

The principal activity of the Group is property development and investment.

Turnover represents the gross rental income derived from the investment properties situated in Hong Kong during the period.

3. OTHER REVENUE AND NET LOSS

	Six months ended	
	30 September	
	2004	2003
	\$'000	\$'000
	(unaudited)	(unaudited)
Other revenue		
Management fee income	273	–
Interest income	353	140
Rentals receivable from other investments	109	84
Write-back of long-outstanding payables	1,352	–
Others	255	142
	<u>2,342</u>	<u>366</u>
Other net loss		
Net realised loss on trading securities	–	(1,988)
Loss on disposal of fixed assets	(135)	–
	<u>(135)</u>	<u>(1,988)</u>

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2004	2003
	\$'000	\$'000
	(unaudited)	(unaudited)
Staff costs (including directors' remuneration):		
Wages, salaries and allowances	5,092	3,390
Retirement costs	93	87
	<u>5,185</u>	<u>3,477</u>
Other items:		
Depreciation	81	50
Provision for doubtful debts	–	89
	<u>–</u>	<u>89</u>

5. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Taxation in the consolidated profit and loss account represents:

	Six months ended	
	30 September	
	2004	2003
	\$'000	\$'000
	(unaudited)	(unaudited)
Current tax – Provision for Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the period	480	–
Deferred tax		
Origination and reversal of temporary differences	–	108
Effect of increase in tax rate on deferred tax	–	232
	–	340
Total income tax expenses	480	340

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of \$1,670,000 (2003: \$15,106,000) and the weighted average of 1,662,440,000 ordinary shares (2003: the weighted average of 331,488,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of \$1,670,000 and the weighted average number of 1,790,695,000 ordinary shares after adjusting for the effects of all potential dilutive ordinary shares.

The exercise of the subscription rights conferred by the redeemable convertible preference shares would not have any dilutive effect on the earnings per share for the period ended 30 September 2003. There are no other potential dilutive securities.

7. FIXED ASSETS

- (a) The investment properties of the Group were revalued as at 31 March 2004 by Chesterton Petty Limited, independent professional qualified valuers, who have among their employees Members of the Hong Kong Institute of Surveyors, on an open market value basis.
- (b) Certain of the above investment properties with an aggregate carrying value of \$370,000,000 (31 March 2004: \$370,000,000) have been pledged against bank loans (note 10).
- (c) The Group leases out investment properties under operating lease arrangements, with leases negotiated for an average period of one to two years. The terms of the leases generally require the tenants to place rental deposits and provide for periodic rent adjustments according to the prevailing market conditions. None of the leases includes contingent rentals.

At 30 September 2004, the Group had total future minimum lease payments under non-cancellable operating leases receivable as follows:

	At 30 September 2004 \$'000 (unaudited)	At 31 March 2004 \$'000 (audited)
Within one year	13,740	15,442
In the second to fifth years, inclusive	634	1,917
	14,374	17,359

8. TRADE AND OTHER RECEIVABLES

	At 30 September 2004 \$'000 (unaudited)	At 31 March 2004 \$'000 (audited)
Accounts receivable	254	655
Prepayments, deposits and other receivables	3,919	1,091
	4,173	1,746

The Group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. An ageing analysis of accounts receivable based on invoice date, net of provisions for doubtful debts, is as follows:

	At 30 September 2004 \$'000 (unaudited)	At 31 March 2004 \$'000 (audited)
Outstanding balances aged:		
– Within 1 month	176	451
– More than 1 month but less than 3 months	78	185
– Over 3 months	–	19
	254	655

9. PLEDGED DEPOSITS

The Group has a banking facility of \$36,000,000 granted by a bank in Hong Kong, which is secured by pledged deposits and the accrued interest totalling approximately \$20,000,000. Such banking facility was not utilised during the period.

10. INTEREST-BEARING BANK LOAN (SECURED)

	At 30 September 2004 \$'000 (unaudited)	At 31 March 2004 \$'000 (audited)
Secured bank loan	184,456	190,765
Portion classified as current liabilities	(13,089)	(12,773)
Long-term portion	171,367	177,992
Bank loan		
The bank loan is repayable:		
Within one year	13,089	12,773
In the second year	13,574	13,412
In the third to fifth year, inclusive	40,722	40,722
Beyond five years	117,071	123,858
	184,456	190,765

The bank loan is secured by the following:

- certain investment properties of the Group with an aggregate carrying value of \$370,000,000;
- an assignment of the rental income derived therefrom;
- a share charge of a subsidiary of the Company, Perfect Manor Limited, together with the subordination of the Company's loans to Perfect Manor Limited; and
- a corporate guarantee of \$200,000,000 issued by the Company.

11. CONVERTIBLE NOTE

Pursuant to a subscription agreement dated 19 March 2004 (as supplemented), and subsequent approval by the Company's shareholders at an extraordinary general meeting on 2 June 2004, the Group agreed to acquire a 37.25% equity interest in Rongzhong Group Limited for a consideration of RMB62,000,000 payable in cash. In this connection, on 5 August 2004, the Company issued a convertible note in the principal amount of \$70,000,000 to Wah Link Investments Limited ("Wah Link"), a company under common directorship. The note is interest free, with a maturity date on 5 August 2007 and at a conversion price of \$0.17 per share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the note shall be convertible into 411,765,000 ordinary shares of the Company. The Group intends to use the proceeds from the issue of the convertible note to purchase a 37.25% equity interest in Rongzhong Group Limited. This acquisition had not been completed by 30 September 2004.

12. SHARE CAPITAL

	At 30 September 2004		At 31 March 2004	
	Number of shares '000 (unaudited)	Amount \$'000 (unaudited)	Number of shares '000 (audited)	Amount \$'000 (audited)
Authorised:				
Ordinary shares of \$0.10 each	25,000,000	2,500,000	25,000,000	2,500,000
'A' redeemable convertible preference shares of \$0.10 each	40,000	4,000	40,000	4,000
'B' redeemable convertible preference shares of \$0.10 each	28,400	2,840	28,400	2,840
Issued and fully paid:				
Ordinary shares				
At the beginning of the period/year	1,662,440	166,244	3,314,880	828,720
Capital reduction	-	-	(2,983,392)	(795,571)
Open offer shares issued	-	-	1,325,952	132,595
Consideration shares issued	-	-	5,000	500
At the end of the period/year	1,662,440	166,244	1,662,440	166,244
'A' redeemable convertible preference shares				
At the beginning of the period/year	40,000	4,000	400,000	100,000
Capital reduction	-	-	(360,000)	(96,000)
At the end of the period/year	40,000	4,000	40,000	4,000
'B' redeemable convertible preference shares				
At the beginning of the period/year	28,400	2,840	284,000	71,000
Capital reduction	-	-	(255,600)	(68,160)
At the end of the period/year	28,400	2,840	28,400	2,840
		173,084		173,084

13. RESERVES

	Share premium	Investment revaluation reserve	General reserve	Capital reserve	Special capital reserve	Retained earnings/ (accumulated losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2003	98,223	3,000	6,000	5,000	-	(978,920)	(866,697)
Capital reduction	-	-	-	-	64,788	894,943	959,731
Share issue expenses	(1,010)	-	-	-	-	-	(1,010)
Consideration shares issued	500	-	-	-	-	-	500
Profit for the year	-	-	-	-	-	32,501	32,501
At 31 March 2004	<u>97,713</u>	<u>3,000</u>	<u>6,000</u>	<u>5,000</u>	<u>64,788</u>	<u>(51,476)</u>	<u>125,025</u>
At 1 April 2004	97,713	3,000	6,000	5,000	64,788	(51,476)	125,025
Transfer between reserves (note)	-	-	-	-	(64,788)	64,788	-
Profit for the period	-	-	-	-	-	1,670	1,670
At 30 September 2004	<u>97,713</u>	<u>3,000</u>	<u>6,000</u>	<u>5,000</u>	<u>-</u>	<u>14,982</u>	<u>126,695</u>

Note: During the period, the special capital reserve of \$64,788,000 was transferred to the retained earnings of the Company upon the fulfilment of conditions set out in the court order issued by The High Court of Hong Kong in June 2003.

14. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2004 not provided for in the Group's interim financial report were as follows:

		At 30 September 2004 \$'000 (unaudited)	At 31 March 2004 \$'000 (audited)
Contracted, but not provided for			
Acquisition of subsidiary	(i)	–	400,000
Construction of properties under development	(ii)	248,695	159,930
Acquisition of other investments	(iii)	35,100	35,100
Others		4,003	–
		287,798	595,030

Notes:

- (i) In 2000, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited, a company incorporated in the British Virgin Islands, at a consideration of \$400,000,000.

During the period, the Company obtained legal advice from the Company's legal advisor and confirmed the above-mentioned agreement was no longer legally binding.

- (ii) The Group's share of capital commitments of jointly controlled entities at 30 September 2004 included in the above amounted to \$248,695,000 (31 March 2004: \$159,930,000).
- (iii) On 11 December 2003, the Group entered into a subscription agreement with Gobi Fund Inc. and Gobi Partners, Inc. and agreed to subscribe for 12 units of the Gobi Fund at an aggregate consideration of US\$6,000,000 (equivalent to approximately \$46,800,000). As at 30 September 2004, the Group had commitments of US\$4,500,000 (equivalent to approximately \$35,100,000) which represent subsequent instalments payable to subscribe the Gobi Fund.

15. MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions, which the directors consider material to the Group during the period, are summarised as follows:

	Six months ended	
	30 September	
	2004	2003
	\$'000	\$'000
	(unaudited)	(unaudited)
Legal and professional fees paid to related companies	416	238
Rental expenses paid to a related company	198	20
Interest income receivable on loans to a jointly controlled entity	351	–
Interest expense paid to a related company	101	176
Issue of convertible note to a related company (<i>Note 11</i>)	70,000	--

16. CONTINGENT LIABILITIES

- (i) At the balance sheet date, there was a contingent liability in respect of a corporate guarantee to a bank to secure the banking facilities of the Group's jointly controlled entity amounting to US\$3,750,000 (equivalent to approximately \$29,250,000). The Group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities.
- (ii) At the balance sheet date, the Group's jointly controlled entity had a contingent liability in respect of a counter guarantee for banking facilities drawn by the Group's jointly controlled entity amounting to RMB118,000,000.

17. POST BALANCE SHEET EVENTS

- (a) Pursuant to a subscription agreement dated 1 November 2004 (the "Subscription Agreement") and subsequent approval by the Company's shareholders at an extraordinary general meeting on 16 December 2004, a wholly owned subsidiary of the Company agreed to subscribe for new shares representing a 40% equity interest in Rongzhong Group Limited. The consideration was agreed at US\$40 (equivalent to approximately \$312) payable in cash. In addition, the Group has undertaken to advance to Rongzhong Group Limited a shareholder's loan of RMB42,000,000 (equivalent to approximately \$39,623,000). The shareholder's loan will be satisfied by the proceeds from the issue of the convertible note as disclosed in Note 11. The completion of the transaction is subject to the fulfilment of all conditions precedent as set out in the Company's circular dated 25 November 2004. It was also agreed that the subscription agreement dated 19 March 2004 (as supplemented) (as disclosed in Note 11) will be terminated upon completion of the subscription of new shares in Rongzhong Group Limited and the advancement of shareholder's loan by certain shareholders pursuant to the Subscription Agreement.
- (b) Pursuant to a subscription agreement dated 15 October 2004 and subsequent approval by the Company's shareholders at an extraordinary general meeting on 16 December 2004, a wholly owned subsidiary of the Company agreed to acquire a 20% equity interest in Goldbond Capital Holdings Limited. The consideration was agreed at \$30,000,000 and will be satisfied by the issue of a convertible note by the Company in the principal amount of \$30,000,000. The completion of the transaction is subject to the fulfilment or, as the case may be, waiver of all conditions precedent as set out in the Company's circular dated 11 November 2004.

18. INTERIM DIVIDEND

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 September 2004 (30 September 2003: Nil).

19. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 20 December 2004.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF GOLDBOND GROUP HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 16.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group's management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2004.

KPMG

Certified Public Accountants

Hong Kong, 20 December 2004

INTERIM RESULTS

For the six months ended 30 September 2004, the turnover of the Group amounted to approximately HK\$11,914,000 (2003: HK\$12,944,000) which was mainly attributed by the rental income from Golden Plaza. The net profit attributable to shareholders was approximately HK\$1,670,000 for the period under review.

INTERIM DIVIDEND

The directors of the Company (the "Directors") have resolved that no interim dividend will be declared in respect of the six months ended 30 September 2004 (2003: Nil).

BUSINESS REVIEW AND OUTLOOK

Properties

Golden Plaza

The rental income derived from Golden Plaza in Hong Kong for the period under review was approximately HK\$11,914,000. Golden Plaza is a well established niche market for wedding businesses. The Group owns an aggregate of over 90% of the arcade from the basement to 3rd floor. As at 30 September 2004, almost all the total gross floor area of Golden Plaza had been rented except for the basement which was under full renovation. The renovation and the upgrade of all floors are expected to be completed by January 2005 and the Directors would anticipate an attractive enhancement in the rental yield as a whole.

Nanjing International Center

The Group's jointly controlled entity, Nanjing City Plaza Construction Co. Ltd., has a 67% equity interest in Nanjing International Group Limited, a joint stock limited liability company incorporated in the PRC which is developing Nanjing International Center (the "NIC") in Nanjing, the PRC. NIC was selected as "China's Top 10 Landmark Architectures In 2004" by the "China's Top 10 Real Estate" Research Group set up jointly by the Development Research Center of the State Council, the Real Estate Research Center of Tsinghua University and the Index Research Center. The construction of Phase I of Nanjing International Center is undergoing intensively. Phase I, with a total gross floor area of approximately 227,000 square meters, is expected to be completed by 2006, and the pre-sale/lease is scheduled to begin in 2005. Phase II is at planning stage with a total gross floor area of approximately 218,000 square meters. The Directors believe that the investment in the NIC will broaden the Group's earning bases.

Financial services

Goldbond Capital Holdings Limited (“Goldbond Capital”)

In October 2004, the Group entered into an agreement to acquire a 20% equity interest in Goldbond Capital at a consideration of HK\$30,000,000, which will be settled by the issue of a zero-coupon convertible note at a conversion price of HK\$0.129 (subject to adjustment). The shareholders approved the agreement and related transactions at the extraordinary general meeting held on 16 December 2004. The acquisition is expected to be completed by the end of 2004. Goldbond Capital and its subsidiaries are principally engaged in the provision of investment and financial-related services, including but not limited to securities and futures trading, distribution and placement of listed and unlisted securities, financial advisory, initial public offering. Following the PRC’s entry to the World Trade Organisation, the Directors consider that the economic outlook of the PRC is promising and the financial services sector in Hong Kong is set to ride on the expected growth of fund raising exercise activities by the PRC enterprises. The Directors are of the view that Goldbond Capital possesses experienced and competent personnel in the financial industry and will contribute to the Group after the acquisition.

Rongzhong Group Limited (“Rongzhong”)

In November 2004, the Group entered into a subscription agreement (the “Subscription Agreement”) with, among others, Mr. Xie Xiao Qing and Nanfang Group Poly Limited, for the subscription of a 40% equity interest in Rongzhong at a cash consideration of USD40. Pursuant to the Subscription Agreement, the Group has undertaken to advance to Rongzhong a shareholder’s loan of RMB42,000,000 or its equivalent Hong Kong dollars, the amount of which will be ultimately investing in the provision of management services to loan guarantee companies in the PRC. This shareholder’s loan will be financed by the proceeds from the Convertible Note (as defined below). The shareholders approved the Subscription Agreement at the extraordinary general meeting held on 16 December 2004. The subscription of shares in Rongzhong and the advancement of the shareholder’s loan are expected to be completed by the end of 2004.

The Directors believe that investment in Rongzhong would be a strategic move for the Group. Nanfang Group Poly Limited, which is a member of China Poly Group, has extensive business strengths in the PRC; coupled with Mr. Xie’s expertise, the Directors are optimistic that the investment will allow the Group to venture into the loan guarantee market in the PRC with promising prospect.

Future plan

In view of the recent growth in the economy of Hong Kong and the PRC, the Group takes every opportunity to 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.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2004, the Group had secured bank borrowings of approximately HK\$184,456,000 (31 March 2004: HK\$190,765,000), which bear interest with reference to HIBOR (Hong Kong Interbank Offered Rate) and will be repayable by instalments till 2013. The Group has a banking facility of HK\$36,000,000 granted by a bank in Hong Kong which is secured by the pledged deposits of approximately HK\$20,000,000. Such banking facility was not utilized as at 30 September 2004. All of the Group's borrowings are denominated in Hong Kong dollars. On 5 August 2004, the Company issued a 3-year convertible note in the principal amount of HK\$70,000,000 (the "Convertible Note") to Wah Link Investments Limited. The Convertible Note bears no interest and carries the right to convert into ordinary shares of HK\$0.10 each at the conversion price of HK\$0.170 (subject to adjustment) per share. The proceeds of HK\$70,000,000 will be applied as approximately HK\$39,600,000 (i.e. RMB42,000,000) to the provision of shareholder's loan to Rongzhong and the balance as to working capital or other future potential investments of the Group. As at 30 September 2004, the Group had total cash and bank balances of approximately HK\$57,984,000 (31 March 2004: HK\$9,583,000). The gearing ratio, measured as total liabilities to total assets, was 47.26% (31 March 2004: 42.62%). The current ratio of the Group as at 30 September 2004 was 3.80 (31 March 2004: 1.02), the improvement was mainly due to the issue of Convertible Note during the period.

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

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2004, the banking facilities granted to the Group were secured by:

- (i) a legal charge over investment properties with an aggregate carrying value of HK\$370,000,000 (31 March 2004: HK\$370,000,000);
- (ii) the assignment of the rental income derived therefrom;
- (iii) a share charge of a subsidiary, Perfect Manor Limited;
- (iv) a fixed deposit of HK\$20,000,000 plus accrued interest; and
- (v) subordination of shareholder's loan of Perfect Manor Limited.

As at 30 September 2004, the banking facility granted to the Group's jointly controlled entity was secured by:

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

CONTINGENT LIABILITY

- (i) As at 30 September 2004, there was a contingent liability in respect of a corporate guarantee to a bank to secure the banking facilities of the Group's jointly controlled entity amounting to US\$3,750,000 (equivalent to approximately HK\$29,250,000). The Group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities.
- (ii) As at 30 September 2004, the Group's jointly controlled entity had a contingent liability in respect of a counter guarantee for banking facilities drawn by the Group's jointly controlled entity amounting to RMB118,000,000.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2004, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares or debentures or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the Shares

Name of Director	Nature of interest	Number of ordinary shares held	Approximate % of shareholding
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Corporate	497,232,000	29.91%
Mr. Kee Wah Sze	Corporate	472,589,643	28.43%
Ms. Loh Jiah Yee, Katherine	Corporate	404,770,143	24.35%
Mr. Ko Po Ming	Corporate	65,881,800	3.96%
Mr. Shiraki Melvin Jitsumi	Personal	2,100,000	0.13%

B. Long positions in the underlying Shares pursuant to convertible note issued by the Company

Name of Director	Nature of interest	Number of underlying Shares
Mr. Wong	Corporate	411,764,705 underlying Shares under HK\$70,000,000 convertible note due 5 August 2007 (<i>Note</i>)

Note: The convertible note is held by Wah Link Investments Limited, a company owned as to 99.9996% by Golden Cloud Holdings Group Ltd. and 0.0004% by Gold Choice Management Ltd. Golden Cloud Holdings Group Ltd. and Gold Choice Management Ltd are directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong and 49% by Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong. Mr. Wong is taken to have an interest in the underlying Shares under the SFO.

A Director held qualifying shares in certain subsidiaries in trust for the Company and other subsidiaries.

Save as disclosed above, as at 30 September 2004, none of the Directors or chief executive of the Company were, or were taken or deemed to have any interests or short positions in the Shares and underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 30 September 2004, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

A. Long positions of substantial shareholders in the Shares of the Company

Name	Number of shares held	Percentage of the Company's share capital
Allied Luck Trading Limited (<i>Note 1</i>)	497,232,000	29.91%
Mrs. Wong Fang Pik Chun (<i>Note 2</i>)	497,232,000	29.91%
Ace Solomon Investments Limited (<i>Note 3</i>)	338,888,343	20.39%
Canasia Profits Corporation (<i>Note 4</i>)	133,701,300	8.04%

Note 1: Allied Luck Trading Limited is beneficially owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong.

Note 2: Mrs. Wong Fang Pik Chun is deemed to be interested in such Shares by virtue of her and Mr. Wong's shareholding in Allied Luck Trading Limited.

Note 3: Ace Solomon Investments Limited is beneficially owned as to 11% by Mr. Wong, 46% by Mr. Kee Wah Sze and 43% by Ms. Loh Jiah Yee, Katherine.

Note 4: Canasia Profits Corporation is wholly owned by Mr. Kee Wah Sze.

B. Long positions of the substantial shareholders in the underlying Shares pursuant to the convertible note issued by the Company

Name	Nature of interest	Number of underlying Shares
Wah Link Investments Limited	Corporate	411,764,705 underlying Shares under a HK\$70,000,000 convertible note due 5 August 2007 (<i>Note</i>)
Golden Cloud Holdings Group Ltd	Corporate	411,764,705 underlying Shares under a HK\$70,000,000 convertible note due 5 August 2007 (<i>Note</i>)
Mrs. Wong Fang Pik Chun	Corporate	411,764,705 underlying Shares under a HK\$70,000,000 convertible note due 5 August 2007 (<i>Note</i>)
Mr. Wong Yu Hung, Davy	Corporate	411,764,705 underlying Shares under a HK\$70,000,000 convertible note due 5 August 2007 (<i>Note</i>)

Note : The convertible note is held by Wah Link Investments Limited, a company owned as to 99.9996% by Golden Cloud Holdings Group Ltd. and 0.0004% by Gold Choice Management Ltd. Golden Cloud Holdings Group Ltd. and Gold Choice Management Ltd are directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong and 49% by Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong. Mr. Wong is taken to have an interest in the underlying Shares under the SFO.

Save as disclosed above, as at 30 September 2004, the Company has not been notified by any person (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE PURSUANT TO THE RULES 13.20 AND 13.22 OF THE LISTING RULES OF THE STOCK EXCHANGE

Pursuant to a loan agreement dated 27 February 2004, a loan of HK\$10,000,000 (the "Advance") was granted by the Group to Nanjing City Plaza Construction Co., Ltd. The Advance is unsecured, repayable in one year and bears interest rate of 2% per annum above the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited. The Advance was used for the purpose of subscribing for the new Nanjing International Shares (as defined in the circular of the Company dated 24 December 2003). As at 30 September 2004, the Advance and interest receivable therefrom amounted approximately to HK\$10,413,000.

In July 2004, a guarantee agreement was entered into between the Company and a bank for the provision of a guarantee given by the Company (the "Guarantee") as a result of the entering into a loan agreement entered into, among others, Nanjing City Plaza Construction Co., Ltd. and the bank for a banking facility of US\$15,000,000. The Guarantee amounted to US\$3,750,000 (equivalent to approximately HK\$29,250,000). As at 30 September 2004, such banking facility in the amount of US\$15,000,000 had been fully utilized.

As at 30 September 2004, the aggregate of the Advance together with the interest receivable and the Guarantee given by the Group amounted to approximately HK\$39,663,000 which represented approximately 18.4% of the market capitalization of the Company of approximately HK\$216,117,000 based on the average closing price of HK\$0.13 per share for the five business days immediate preceding 30 September 2004.

The proforma combined balance sheet of Nanjing City Plaza Construction Co., Ltd and its subsidiaries as at 30 September 2004, being the latest practicable date, is as follows:

Assets and liabilities	<i>RMB'000</i>
Non-current assets	1,001,759
Current assets	484,450
Current liabilities	(359,337)
Non-current liabilities	(646,050)
Minority interests	(245,801)
	235,021



The attributable interests of the Group in the major affiliated companies are as follows:

Name of affiliated companies	Attributable interest
Nanjing City Plaza Construction Co., Ltd	25%
Nanjing International Group Limited	16.74%

EMPLOYEES

As at 30 September 2004, the Group's total number of staff was 23. The Group remunerates its employees based on their performance, experience and prevailing industry practices. The Group has set up a share option scheme for the purpose of providing incentives to the Directors and employees.

SHARE OPTION SCHEME

The share option scheme (the "Scheme") of the Company was adopted on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 29 August 2003, amendments were made for giving clarity to the Scheme. Details of the Scheme were disclosed in the 2004 Annual Report of the Company. As at 30 September 2004, no share options had been granted under the Scheme.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rules"). Having made specific enquiry of all Directors, all Directors confirm that they have fully complied with the required standard set out in the Model Code regarding directors' securities transactions during the six months ended 30 September 2004.

CODE OF BEST PRACTICE (the “Code”)

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of six months ended 30 September 2004, in compliance with the Code as set out in Appendix 14 of the Listing Rules, except that the independent non-executive Directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Articles of Association.

AUDIT COMMITTEE

The audit committee of the Company comprises four independent non-executive Directors. The audit committee was established in accordance with the requirement of the Code for the purposes of reviewing the Group’s accounting principles and financial reporting matters including the review of the unaudited interim financial statements.

By order of the Board
Wong Yu Lung, Charles
Executive Director

Hong Kong, 20 December 2004