

Report of the Directors

The directors (the "Directors") of Goldbond Group Holdings Limited (the "Company") have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2005 (the "Year").

PRINCIPAL ACTIVITIES OF THE GROUP

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries are set out in note 12 on the financial statements.

SEGMENT INFORMATION

The Group's turnover and profit from operating activities for the Year were derived from property development and investment in Hong Kong. No segment analysis is provided as the Group's operating results are almost entirely attributable to its property investment activities in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of the Group's and the Company's affairs as at 31 March 2005 are set out in the financial statements on pages 21 to 70.

The Directors did not recommend the payment of a dividend in respect of the Year (2004: HK\$Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 71 of this annual report.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Group and the Company are set out in note 11 on the financial statements.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 72 of this annual report.

RESERVES

Movements during the Year in the reserves of the Group and the Company are set out in note 25 on the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company amounted to HK\$5,487,000 as at 31 March 2005, calculated pursuant to section 79B of the Hong Kong Companies Ordinance.

BANK LOANS

Particulars of bank loans of the Group and the Company as at 31 March 2005 are set out in note 18 on the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover and purchases attributable to the Group's five largest customers and suppliers respectively were both less than 30% during the Year.

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme. Particulars of which are set out in note 28 on the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. Wong Yu Lung, Charles

Mr. Kee Wah Sze

Mr. Ko Po Ming

Mr. Lan Ning

Ms. Loh Jiah Yee, Katherine

(resigned on 1 June 2005)

Mr. Ding Chung Keung, Vincent

(appointed on 1 June 2005)

Independent Non-Executive Directors

Mr. Ip Yin Wah

(appointed on 24 September 2004)

Mr. Ma Ho Fai JP

Mr. Melvin Jitsumi Shiraki

(appointed on 24 September 2004)

Mr. Zhang Xiao Shu

(resigned on 1 June 2005)

Pursuant to articles 87, 117 and 118 of the Company's articles of association, Messrs. Ip Yin Wah, Melvin Jitsumi Shiraki and Ding Chung Keung, Vincent, newly appointed Directors, and Mr. Ko Po Ming shall retire from the board at the forthcoming annual general meeting (the "Meeting"). Mr. Ko has decided not to seek re-election at the Meeting. All other retiring Directors, being eligible, offer themselves for re-election at the Meeting.

No Directors being proposed for re-election at the Meeting has a service contract with the Group which are not determinable by the Group within one year without payment of compensation other than normal statutory obligations.

The Company has received annual confirmations of independence from Messrs. Ip Yin Wah, Ma Ho Fai and Melvin Jitsumi Shiraki, and as at the date of this report still considers them to be independent.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 8 and 9 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the Year, the Group had the following connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) that were required to be included herein:

- (1) On 15 October 2004, Flourish Global Limited ("Flourish Global"), a wholly-owned subsidiary of the Company, and Goldbond Capital Investment Holdings Limited ("GCIHL") entered into an agreement pursuant to which GCIHL agreed to sell to Flourish Global 20% of the issued share capital of Goldbond Capital Holdings Limited at a consideration of HK\$30,000,000 by way of the issue of a convertible note by the Company.

GCIHL is regarded as a connected person according to the Listing Rules since it is indirectly owned as to 90% by Mr. Kee Wah Sze ("Mr. Kee") and as to 10% by Mr. Wong Yu Lung, Charles ("Mr. Wong"), both being Directors. The transaction was announced on 20 October 2004 and approved by the shareholders of the Company (the "Shareholders") on 16 December 2004.

- (2) Pursuant to an agreement entered into on 1 November 2004 among Perfect Honour Limited ("Perfect Honour"), a wholly-owned subsidiary of the Company, 保利南方集團有限公司 (for identification purpose, in English, Nanfang Group Poly Limited) ("Nanfang Poly") and two independent third parties in relation to, inter alia, the subscription of shares representing 40% in the capital of Rongzhong Group Limited by Perfect Honour, Perfect Honour agreed to provide a shareholder's loan to Rongzhong Group Limited and a back-to-back guarantee to Nanfang Poly in its arrangement for any banking facility for Rongzhong Group Limited of exposure not exceeding RMB8,750,000 (equivalent to approximately HK\$8,255,000).

Nanfang Poly was indirectly interested in a subsidiary of the Company and therefore, was regarded as a connected person under the Listing Rules. The transactions were announced on 5 November 2004 and approved by the Shareholders on 16 December 2004.

Save as disclosed above and in note 29 on the financial statements regarding the material related party transactions, no contract of significance to which the Company, or any of its subsidiaries was a party, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

The interests or short positions of the Directors and chief executive of the Company, who held office at 31 March 2005, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) (the "SFO")), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are taken or deemed to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO to be recorded in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange (collectively "Directors' discloseable interests") are as follows:

Name of Director	The Company/ associated corporation	Capacity	Interests (long position) in ordinary shares of HK\$0.1 each (the "Shares") of the Company/ HK\$1.0 each of the associated corporation	Interests (long position) in underlying Shares of share options of the Company	Interests (long position) in underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Wong	The Company	Interest of controlled corporation	497,232,000 (Note 1)	–	–	29.91%
	The Company	Beneficial owner	–	16,000,000 (Note 2)	–	0.96%
	The Company	Interest of spouse	–	–	411,764,705 (Note 3)	17.85% (Note 6)
Mr. Kee	The Company	Interest of controlled corporation	405,889,643 (Note 4)	–	–	24.42%
	The Company	Beneficial owner	–	16,000,000 (Note 2)	–	0.96%
	The Company	Interest of controlled corporation	–	–	232,558,140 (Note 5)	10.08% (Note 6)
	Goldbond Capital Holdings Limited	Interest of controlled corporation	69,375,000	–	–	46.25%
Mr. Ko Po Ming ("Mr. Ko")	The Company	Interest of controlled corporation	65,881,800 (Note 7)	–	–	3.96%
	The Company	Beneficial owner	–	16,000,000 (Note 2)	–	0.96%
	Goldbond Capital Holdings Limited	Interest of controlled corporation	27,187,500	–	–	18.13%

Report of the Directors

Name of Director	The Company/ associated corporation	Capacity	Interests (long position) in ordinary shares of HK\$0.1 each (the "Shares") of the Company/ HK\$1.0 each of the associated corporation	Interests (long position) in underlying Shares of share options of the Company	Interests (long position) in underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Lan Ning	The Company	Beneficial owner	–	16,000,000 (Note 2)	–	0.96%
Ms. Loh Jiah Yee, Katherine ("Ms. Loh")	The Company The Company	Interest of controlled corporation Beneficial owner	65,881,800 (Note 7) –	– 16,000,000 (Note 2)	– –	3.96% 0.96%
Mr. Melvin Jitsumi Shiraki	The Company	Beneficial owner	2,100,000	–	–	0.13%

Notes:

1. These Shares were held by Allied Luck Trading Limited, which is owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong Fang Pik Chun ("Mrs. Wong"), the spouse of Mr. Wong.
2. On 8 November 2004, each of Messrs. Wong, Kee, Ko, Lan and Ms. Loh was respectively granted 16,000,000 options under the share option scheme of the Company to subscribe for 16,000,000 Shares, exercisable at a price of HK\$0.148 (subject to adjustment) per Share during the period from 1 January 2007 to 7 November 2014.
3. The convertible note was held by Wah Link Investments Limited, a company owned as to 99.9996% by Golden Cloud Holdings Group Limited and as to 0.0004% by Gold Choice Management Limited. Each of these companies is directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong, and 49% by Mrs. Wong.
4. Out of these Shares, 67,001,300 Shares were held by Canasia Profits Corporation (which is wholly-owned by Mr. Kee) and 338,888,343 Shares were held by Ace Solomon Investments Limited (which is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong).
5. The convertible note was held by Goldbond Capital Investment Holdings Limited, a company wholly owned by Legend (Asia Pacific) Investment Limited, which in turn, is owned as to 90% by Grace Honour Limited (which is wholly-owned by Mr. Kee) and as to 10% by Central Executive Limited (which is wholly-owned by Mr. Wong).
6. The approximate percentage was calculated assuming the issued share capital of the Company has been enlarged by the issue of Shares pursuant to the aforesaid convertible notes, but no other options or convertible notes (if any).
7. These Shares were held by Sparkle Power Technology Limited, which is owned as to 50% by Mr. Ko and as to 50% by Ms. Loh.

Save as disclosed above, as at 31 March 2005, none of the Directors and chief executive of the Company or any of their respective spouse or children under eighteen years of age had any Directors' discloseable interests.

Save as disclosed above, at no time during the Year was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors, nor any of their respective spouse or children under eighteen years of age, had any right to subscribe for the securities of the Company or had exercised any such right.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiries by the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and/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 (collectively "substantial shareholders' discloseable interests"):

Name	Capacity	Interest (long position) in Shares (long position) in Shares	Interest (long position) in underlying Shares of share options of the Company	Interest in (long position) in underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company
Allied Luck Trading Limited	Beneficial owner	497,232,000 (Note 1)	–	–	29.91%
Mrs. Wong	Interest of controlled corporation	497,232,000 (Note 1)	–	–	29.91%
	Interest of spouse	–	16,000,000 (Note 2)	–	0.96%
	Interest of controlled corporation	–	–	411,764,705 (Note 3)	17.85% (Note 7)
Mrs. Kee Yip Yue Lin, Loolina ("Mrs. Kee")	Interest of spouse	405,889,643 (Note 4)	–	–	24.42%
	Interest of spouse	–	16,000,000 (Note 2)	–	0.96%
	Interest of spouse	–	–	232,558,140 (Note 5)	10.08% (Note 7)
Ace Solomon Investments Limited	Beneficial owner	338,888,343 (Note 6)	–	–	20.39%
Wah Link Investments Limited	Beneficial owner	–	–	411,764,705 (Note 3)	17.85% (Note 7)

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Name	Capacity	Interest (long position) in Shares	Interest (long position) in underlying Shares of options of the Company	Interest in (long position) in underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company
Golden Cloud Holdings Group Limited	Interest of controlled corporation	–	–	411,764,705 (Note 3)	17.85% (Note 7)
Mr. Wong Yu Hung, Davy	Interest of controlled corporation	–	–	411,764,705 (Note 3)	17.85% (Note 6)
Goldbond Capital Investment Holdings Limited	Beneficial owner	–	–	232,558,140 (Note 5)	10.08% (Note 7)
Legend (Asia Pacific) Investment Limited	Interest of controlled corporation	–	–	232,558,140 (Note 5)	10.08% (Note 7)
Grace Honour Limited	Interest of controlled corporation	–	–	232,558,140 (Note 5)	10.08% (Note 7)

Notes:

- Allied Luck Trading Limited is owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong. As such, Mrs. Wong was taken to have an interest in such Shares by virtue of her shareholding interests in Allied Luck Trading Limited.
- As disclosed in note 2 above on page 14 of this report, each of Messrs. Wong and Kee was respectively granted 16,000,000 options under the share option scheme of the Company to subscribe for 16,000,000 Shares. As such, each of Mrs. Wong and Mrs. Kee (spouse of Mr. Kee) was respectively taken to have such interest in the underlying Shares under the provisions of the SFO.
- Wah Link Investments Limited is owned as to 99.9996% by Golden Cloud Holdings Group Limited and as to 0.0004% by Gold Choice Management Limited. Each of these companies is directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong and as to 49% by Mrs. Wong. As such, each of Golden Cloud Holdings Group Limited, Mrs. Wong and Mr. Wong Yu Hung, Davy was respectively taken to have an interest in the underlying Shares.
- Mrs. Kee is the spouse of Mr. Kee, an executive Director. Out of these Shares, 338,888,343 Shares were held by Ace Solomon Investments Limited (note 6 below). Mrs. Kee was deemed to be interested in such Shares.
- Goldbond Capital Investment Holdings Limited is wholly owned by Legend (Asia Pacific) Investment Limited, which in turn, is owned as to 90% by Grace Honour Limited (which is wholly owned by Mr. Kee) and as to 10% by Central Executive Limited (which is wholly owned by Mr. Wong). As such, each of Goldbond Capital Investment Holdings Limited, Legend (Asia Pacific) Investment Limited, Grace Honour Limited was respectively taken to have an interest in the underlying Shares. Mrs. Kee was also taken to have an interest in the underlying Shares under the provisions of the SFO.
- Ace Solomon Investments Limited is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong.
- The approximate percentage was calculated assuming the issued share capital of the Company has been enlarged by the issue of Shares pursuant to the aforesaid convertible notes, but no other options or convertible notes (if any).

Save as disclosed above, so far as is known to the Directors, as at 31 March 2005, there was no person (other than a Director or chief executive of the Company) who had substantial shareholders' discloseable interests.

SHARE OPTION SCHEME

Details of the Company's share option scheme (the "Scheme") are set out in note 23 on the financial statements. As at 31 March 2005, the Company had 131,000,000 share options outstanding under the Scheme which were granted to eligible participants (including Directors of which details are disclosed in the paragraph headed "INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE") on 8 November 2004. The closing price of the Company's shares immediately before 8 November 2004 is HK\$0.146 per share.

The share options granted are not recognized in the financial statements until they are exercised. The Directors consider it is not appropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to the shareholders.

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.

DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES

Advance to Entities

In accordance with rule 13.20 of the Listing Rules, details of the advances and guarantees made by the Group to entities as at 31 March 2005, which individually exceeded 8% of the percentage ratios as defined under the Listing Rules are as follows:

Name of the entity		Attributable interest held by the Group	Advances		Interest rate per annum	Collateral	Repayment term	Guarantee given	Total
			HK\$'000	HK\$'000					
Jointly controlled entities									
Nanjing City Plaza Construction Co., Ltd.	(i)	25%	10,764	2% above Prime rate (v)	Unsecured	On demand	–	10,764	
Nanjing City Plaza Construction Co., Ltd.	(ii)	25%	–	–	–	–	29,250	29,250	

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Name of the entity		Attributable interest held by the Group	Advances HK\$'000	Interest rate per annum	Collateral	Repayment term	Guarantee given HK\$'000	Total HK\$'000
Rongzhong Group Limited	(iii)	40%	40,174	Prime rate (v)	Unsecured	20 Dec 2006	–	40,174
Rongzhong Group Limited	(iv)	40%	–	–	–	–	8,255	8,255
								<u>88,443</u>

Notes:

- (i) The advance was used for the purpose of subscribing new shares in Nanjing International Group Limited in February 2004.
- (ii) The guarantee amounted to US\$3,750,000 (equivalent to approximately HK\$29,250,000) is provided by the Company as a result of the entering into a loan agreement in June 2004 by, among others, Nanjing City Plaza Construction Co., Ltd. and the bank, for the banking facility of US\$15,000,000. Such facility had been fully utilized at the year end date.
- (iii) The advance was used for the purpose of general working capital.
- (iv) The back-to-back guarantee amounted to RMB8,750,000 (equivalent to approximately HK\$8,255,000) was provided by a wholly-owned subsidiary of the Company in respect of banking facility to be granted to Rongzhong Group Limited. Such facility had not been utilized at the year end date.
- (v) Prime rate represents the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.

Financial Assistance and Guarantees to Affiliated Companies

As at 31 March 2005, the circumstances giving rise to the disclosure under rule 13.16 of the Listing Rules regarding financial assistance and guarantees given to affiliated companies of the Company in aggregate exceeded 8% of the percentage ratios as defined under the Listing Rules continued to exist. Pursuant to rule 13.22 of the Listing Rules, the proforma combined balance sheet of affiliated companies as at 31 March 2005, being the latest practicable date, is as follows:

Assets and liabilities

	HK\$'000
Non-current assets	284,154
Current assets	1,185,886
Current liabilities	(488,351)
Non-current liabilities	(518,054)
Minority interests	(250,306)
	<u>213,329</u>
Group's proforma attributable interest	<u>52,541</u>

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 on the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's shares in the market as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied throughout the Year with the Code of Best Practice (the "Code") contained in Appendix 14 (which was in force during the Year) to the Listing Rules. The Code has been replaced by the Code on Corporate Governance Practices with effect from 1 January 2005, and the new code will be applied for the subsequent reporting periods.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, they have complied with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code which now comprises three independent non-executive Directors. The primary duties of the audit committee are to oversee the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment at the Meeting. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the Meeting.

On behalf of the Board

Wong Yu Lung, Charles

Chief Executive Officer

Hong Kong

8 July 2005