Golden Resorts

Golden Resorts Group Limited
黃金集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1031)

Interim Report 2005

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr CHEUNG Yu Shum, Jenkin *(Chairman)*
Mrs CHU Yuet Wah *(Chief Executive Officer)*
Mr WONG Hin Shek, Hans
Mr CHI Chi Hung, Kenneth

Non-executive Director

Mr LEE Wai Man

Independent Non-executive Directors

Dr WONG Yun Kuen
Ms LO Miu Sheung, Betty
Mr CHAN Chi Yuen

COMPANY SECRETARY

Mr CHI Chi Hung, Kenneth

AUDITORS

Graham H Y Chan & Co
Unit 1, 15th Floor, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Liu Chong Hing Bank Limited
Wing Hang Bank, Limited

HONG KONG LEGAL ADVISERS

Preston Gates & Ellis
35/F., Two International Finance Centre
8 Finance Street
Central
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BERMUDA LEGAL ADVISERS

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REGISTERED OFFICE

Clarendon House
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2809, 28th Floor
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PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Abacus Share Registrars Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

The board of directors ("the Board") of Golden Resorts Group Limited ("the Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, "the Group") for the six months ended 30 June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Company Name

On 17 March 2005, the name of the Company was changed from "Medtech Group Company Limited" to "Golden Resorts Group Limited" to better represent the Group's business interests, and "黃金集團有限公司" was adopted as the Chinese name of the Company with effect from 15 April 2005.

Business Review

For the six months ended 30 June 2005, the Group's unaudited turnover was approximately HK107,720,000 representing an approximate increase of 90% as compared to approximately HK$56,812,000 in the corresponding period of year 2004. The increase was mainly due to the addition of hotel and gaming business in the period and improved performance of the manufacturing and trading of watches and watch components.

The unaudited net loss of the Group for the six months ended 30 June 2005 amounted to approximately HK$365,905,000 (six months ended 30 June 2004 : HK$3,191,000). The loss was mainly due to a share-based payment expense of approximately HK$496,800,000 charged to the income statement in accordance with the newly implemented Hong Kong Financial Reporting Standard No. 2 issued by the Hong Kong Institute of Certified Public Accountants, which came into effect and was adopted by the Group for the first time in 2005. **This expense was a one-time non-cash extra-ordinary accounting treatment to the books of the Company.** The details of this expense are disclosed in Notes 2 and 6 to the Accounts in this interim report.

Hotel and Gaming Business

In order to capture the growth in Macau, the Group completed the acquisitions of 100% interest in two hotels in the reporting period, namely the Grandview Hotel and the Casa Real Hotel. The Group consolidated the results of these two hotels for the periods starting from the months of April 2005 and June 2005 respectively. The loss from the hotel and gaming business was approximately HK$6,268,000 (six months ended 30 June 2004 : Nil) which was incurred after charging an expense of HK$20,000,000 for one-time non-recurring compensations to certain tenants of Grandview Hotel for the early termination of their leases in order to make room for the casino expansion in the hotel. The expansion of the Grandview Casino was completed in August 2005 and the Board expects an increase in casino rental income thereafter. When only the recurring operating results of the hotel and gaming business is considered, a profit of approximately HK$13,732,000 to the Group is recorded.

Manufacturing and Trading of Watches and Watch Components

The turnover was increased by approximately 23% to approximately HK$63,813,000 for the reporting period (six months ended 30 June 2004: HK$52,055,000). A loss of approximately HK$563,000 (six months ended 30 June 2004: profit of approximately HK$1,144,000) was recorded for the reporting period.

Future Business Prospects and Plans

Due to the excellent results from the casino expansion plan in the Grandview Hotel, the Group will continue to renovate and upgrade our gaming and hotel facilities to better capture the growing numbers of tourists arriving in Macau. We also aim to diversify our marketing strategies to reach a wider scope of customers. Promotional efforts will increase to solidify the Group as a long term player in the Macau hotel and gaming business.

With Macau's growing prominence in the global gaming arena, the Group is actively looking to increase our stake in the market shares of Macau mass market and VIP room gaming. The management team will seek out investment opportunities with the aim to boast the Group's gaming revenues. We do not rule out future mergers and acquisitions opportunities to expand our investment holdings in the Asian region.

Capital Structure

Pursuant to a special resolution passed on 6 June 2005, a capital reorganization was undertaken which involved share consolidation on the basis that every 10 issued shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated share of HK$0.1 each.

Change of the Board

Mrs CHU Yuet Wah was appointed the managing director on 6 April 2005 (now being the chief executive officer), Mr WONG Hin Shek, Hans was appointed executive director on 23 February 2005, and Mr CHI Chi Hung, Kenneth was appointed executive director on 8 June 2005. Mr CHU Yuk Kuen resigned as executive director on 6 June 2005.

Mr LEE Wai Man was appointed the non-executive director on 6 April 2005.

Mr WONG King Shiu, Daniel and Mr SHUM Ka Hei resigned as independent non-executive director and members of the Audit Committee on 8 June 2005. On the same date, Dr WONG Yun Kuen and Ms LO Miu Sheung, Betty were appointed as independent non-executive directors and members of the Audit Committee.

Liquidity, Financial Resources and Funding

As at 30 June 2005, the shareholders' fund and net current assets of the Group amounted to approximately HK$1,476,716,000 and approximately HK$55,311,000 respectively. On the same date, the Group had cash and bank balance of approximately HK$30,881,000 and the current ratio was approximately 1.5 (31 December 2004: 13.7).

Significant Investments and Material Acquisitions/Disposals

On 31 March 2005 and 31 May 2005, the Group completed the acquisitions of Grandview Hotel and Casa Real Hotel respectively.

On 10 January 2005, the Group entered into an agreement to dispose of its entire 35% shareholding interest in Starway Management Limited. The details of the disposal were disclosed in the announcement dated 19 January 2005 and in the circulars dated 29 April 2005 and 12 July 2005 respectively. The disposal was duly approved by the independent shareholders at the special general meeting held on 28 July 2005.

There is no other significant investment and material acquisition/disposal made during the reporting period.

Contingent Liabilities

No material contingent liabilities of the Group were noted as at 30 June 2005.

Employees

As at 30 June 2005, the Group employed a total of approximately 3,000 staff (31 December 2004 : 2,000), of which approximately 50 staff (31 December 2004 : 25) were employed in Hong Kong. The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market practice.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

		Unaudited	
		Six months ended 30 June	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Turnover	*4*	**107,720**	56,812
Cost of sales		**(62,372)**	(50,889)
Operating cost		**(8,075)**	–
Gross profit		**37,273**	5,923
Other operating income		**3,571**	13
Distribution costs		**(849)**	(454)
Administrative expenses		**(56,986)**	(3,339)
Unrealised loss on revaluation of investment at fair value through profit and loss		**(531)**	(1,755)
Discount on acquisition of subsidiaries		**158,075**	–
Staff costs	*6*	**(502,843)**	(3,162)
Operating loss	*7*	**(362,290)**	(2,774)
Finance costs	*8*	**(3,615)**	(417)
Loss before taxation		**(365,905)**	(3,191)
Taxation	*9*	**–**	–
Loss attributable to shareholders		**(365,905)**	(3,191)
Dividends	*10*	**–**	–
Basic loss per share	*11*		
– current year/prior year as previously reported		**33.84 cents**	0.08 cents
– As retrospectively restated		**33.84 cents**	0.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2005

	Note	**30 June 2005** **(Unaudited)** ***HK$'000***	31 December 2004 (Restated) (Audited) *HK$'000*
Non-current assets			
Plant, property and equipment	*12*	**1,914,792**	23,162
Prepaid lease payments on land use rights		**1,708**	1,730
Investment in associates	*13*	**–**	50,000
Deferred tax assets		**4,905**	49
		1,921,405	74,941
Current assets			
Prepaid lease payments on land use rights		**43**	43
Available-for-sale investments	*13*	**52,000**	–
Inventories	*14*	**11,435**	9,943
Trade receivables	*15*	**34,480**	13,753
Prepayments, deposits and other receivables		**37,211**	50,544
Investments at fair value through profit and loss	*16*	**6,727**	–
Other investments	*16*	**–**	4,194
Cash and bank balances		**30,881**	643,157
		172,777	721,634
Current liabilities			
Trade payables	*17*	**26,649**	21,062
Other payable and accruals		**81,504**	22,239
Obligations under finance leases			
– due within one year		**34**	138
Tax payable		**370**	436
Bank overdraft		**1,432**	–
Bank loans – secured	*18*	**7,477**	8,879
		117,466	52,754
Net current assets		**55,311**	668,880
Total assets less current liabilities		**1,976,716**	743,821

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

AS AT 30 JUNE 2005

	Note	**30 June 2005 (Unaudited) *HK$'000***	31 December 2004 (Restated) (Audited) *HK$'000*
Non-current liabilities			
Convertible debts – due after one year	*19*	**–**	19,582
Bank loans – secured	*18*	**500,000**	–
		500,000	19,582
Net assets		**1,476,716**	724,239
Capital and reserves			
Share capital	*20*	**121,265**	95,265
Reserves		**1,355,451**	628,974
		1,476,716	724,239

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Share capital	Share premium account	Capital reserve	Option reserves	Other reserve	Employee share-based compensation reserve	Revaluation Reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	48,471	179,563	814	–	–	–	–	235	(215,360)	13,723
Issue of shares for cash, net of expenses	50,000	–	–	–	–	–	–	–	–	50,000
Loss for the period	–	–	–	–	–	–	–	–	(3,191)	(3,191)
At 30 June 2004	98,471	179,563	814	–	–	–	–	235	(218,551)	60,532
At 1 January 2005										
– as originally stated	95,265	821,424	814	–	–	–	–	235	(194,138)	723,600
– Effect of adopting HKAS32 & 39	–	–	–	418	–	–	–	–	–	418
– Effect of adopting HKAS 17	–	–	–	–	–	–	–	–	221	221
– as restated	95,265	821,424	814	418	–	–	–	235	(193,917)	724,239
Issue of shares upon the conversion of convertible bond	10,000	10,000	–	(418)	–	–	–	–	–	19,582
Issue of shares for the acquisition of assets	5,000	95,000	–	–	–	–	–	–	–	100,000
Issue of shares for the acquisition of subsidiaries and assets	11,000	489,000	–	–	–	–	–	–	–	500,000
Fair value adjustment for available-for-sales investment	–	–	–	–	–	–	2,000	–	–	2,000
Employee share-based payments	–	–	–	–	448,000	48,800	–	–	–	496,800
Loss for the period	–	–	–	–	–	–	–	–	(365,905)	(365,905)
At 30 June 2005	121,265	1,415,424	814	–	448,000	48,800	2,000	235	(559,822)	1,476,716

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Unaudited Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Net cash from/(used in) operating activities	**34,566**	(2,408)
Net cash (used in)/from investing activities	**(1,146,768)**	4,230
Net cash from financing activities	**498,494**	48,156
Net increase in cash and cash equivalents	**(613,708)**	49,978
Cash and cash equivalents at 1 January	**643,157**	3,063
Cash and cash equivalents at 31 December	**29,449**	53,041
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**30,881**	53,041
Bank overdrafts	**(1,432)**	–
	29,449	53,041

NOTES TO THE ACCOUNTS

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These condensed interim financial statements have been reviewed by the audit committee of the Company and were approved by the board of directors on 20 September 2005.

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (the "HKFRSs"), Hong Kong Accounting Standard (the "HKAS") and Interpretations (herein collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations with agreement dates on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalized and amortized over its estimated useful life and written down to its recoverable amount when its value is impaired.

With effect from 1 January 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortizes goodwill. Goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognized when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount. This change has had no material effect on the results for the current period.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance to HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognized immediately in profit or loss in the period in which the acquisition takes place.

NOTES TO THE ACCOUNTS

2. Principal accounting policies *(Continued)*

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expenses to be recognized when the Group buys goods or obtain services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of shares given by the controlling shareholder of the Company and warrants granted by the Company to the directors of the Company. Prior to the application of the HKFRS 2, the Group did not recognize the financial effect of warrants until they were exercised.

Financial instruments

In the current period, 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 accounting periods beginning on or after 1 January 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects from the implementation of HKAS32 and HKAS39 are summarized below:

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.

Equity securities previously accounted for under the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24

By 31 December 2004, the Group classified and measured its equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, investment in equity securities are classified as "Investment securities" or "Other securities" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealized gains or losses included in the profit and loss. From 1 January 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit and loss", "available-for-sales financial assets", "loans and receivable", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit and loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair value recognized in profit and loss and equity respectively. "Loans and receivable" and "held-to-maturity financial assets" are measured at amortized cost using the effective interest method.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Investment in associates classified under non-current assets with carrying amount of HK$50,000,000 and other investments classified as current assets with carrying amount of HK$4,194,000 were reclassified to available-for-sale investments and investments at fair value through profit or loss on 1 January 2005 respectively.

NOTES TO THE ACCOUNTS

2. Principal accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures 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 and loss", "available-for-sale financial assets", "loan and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortized cost using effective interest method.

Convertible bond

In previous periods, the convertible bond issued by the company was stated at cost and interest on the convertible bond was charged to the consolidated income statement on an accrual basis.

Following the adoption of HKAS 32 and HKAS 39, convertible bonds that are convertible to share capital at the option of the holder, where the number of shares which may be issued does not vary with changes in their fair value, are accounted for as compound financial instruments with both a liability and an equity component.

The liability component of a convertible bond is calculated as at the present value of the future interest and principal payments, discounted at a market rate of interest applicable to similar liabilities that do not have a conversion option. The liability component is stated net of unamortized transaction costs and unamortized discounts on issue, if any.

The equity component is calculated as the excess of the issue proceeds over the liability component.

Transaction costs incurred on issuance of convertible bonds are allocated to the component parts in proportion to the allocation of proceeds.

If the convertible bond is converted, the liability component, the accrued interest together with the equity component would constitute the consideration for the shares which are issued.

Derecognizing

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the assets is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005. This change has had no material effect on the results for the current period.

NOTES TO THE ACCOUNTS

2. Principal accounting policies *(Continued)*

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, 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 interest 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. 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 effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows :

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Expenses in relation to giving of shares by the controlling shareholder as gift *(note 6)*	**(448,000)**	–
Expenses in relation to the grant of unlisted warrants *(note 6)*	**(48,800)**	–
Discount on acquisition of subsidiaries	**158,075**	–
Decrease in profit for the period	**(338,725)**	–

Analysis of decrease in profit for the period by line items presented according to their function :

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Increase in staff costs	**(496,800)**	–
Discount on acquisition of subsidiaries	**158,075**	–
	(338,725)	–

NOTES TO THE ACCOUNTS

3. Summary of the effects of the changes in accounting policies *(Continued)*

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarized as follows :

	At 31 December 2004 (Originally stated) *HK$'000*	Effect of HKAS 17 *HK$'000*	Effect of HKAS 32 & 39 *HK$'000*	At 1 January 2005 (restated) *HK$'000*
Balance sheet items affected :				
Property, plant and equipment	24,714	(1,552)	–	23,162
Prepaid lease payments on land use rights	–	1,773	–	1,773
Investment in associates	50,000	–	(50,000)	–
Other investment	4,194	–	(4,194)	–
Available-for-sale investment	–	–	50,000	50,000
Investment at fair value through profit and loss	–	–	4,194	4,194
Convertible debt	(20,000)	–	418	(19,582)
Total effects on assets and liabilities	58,908	221	418	59,547
Accumulated losses	(194,138)	221	–	(193,917)
Option reserves	–	–	418	418
Total effects on equity	(194,138)	221	418	(193,499)

4. Revenue and turnover

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the holding and operating of hotels in Macau, the manufacturing and selling of watches and watch components, and investment in listed securities. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Operating of hotels		
– Room rental	**11,465**	–
– Food and beverage sales	**4,573**	–
– Casino rental	**26,953**	–
– Other rental income	**242**	–
	43,233	–
Sale of watches and watch components	**63,813**	52,055
Proceeds from sale of investments at fair value through profit and loss	**674**	4,757
	107,720	56,812

NOTES TO THE ACCOUNTS

5. Segmental information

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

a) By business segment

For management purposes, the Group is currently organised into three divisions, namely holding and operating of hotels in Macau, manufacturing and selling of watches and watch components, and investment in listed securities.

The following tables represent revenue and profit/(loss) information on each of the above business segments for the six months ended 30 June 2005 and 2004.

	Holding and operating of hotels Six months ended 30 June		Manufacturing and selling of watches and watch components Six months ended 30 June		Investment in listed investments Six months ended 30 June		Consolidated Six months ended 30 June	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Turnover								
External sales	**43,233**	–	**63,813**	52,055	**674**	4,757	**107,720**	56,812
Results								
Segment result	**(6,268)**	–	**(563)**	1,144	**(631)**	(1,789)	**(7,462)**	(645)
Unallocated corporate expenses							**(19,674)**	(2,142)
Other operating income							**3,571**	13
Discounts on acquisition of subsidiaries							**158,075**	–
Expenses in relation to giving of shares by the controlling shareholder as gift in accordance with HKFRS 2 *(note 6)*							**(448,000)**	–
Expenses in relation to the grant of unlisted warrants *(note 6)*							**(48,800)**	–
Loss from operations							**(362,290)**	(2,774)
Finance costs							**(3,615)**	(417)
Loss before taxation							**(365,905)**	(3,191)
Taxation							**–**	–
Loss for the period							**(365,905)**	(3,191)

NOTES TO THE ACCOUNTS

5. Segmental information *(Continued)*

b) Geographical segment information about these businesses is presented below:

The following in the analysis of the Group's sales by geographical market:

	Holding and operating of hotels Six months ended 30 June		Manufacturing and selling of watches and watch components Six months ended 30 June		Investments in listed securities Six months ended 30 June		Consolidated Six months ended 30 June	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
The People's Republic of China ("PRC") including Hong Kong excluding Macau	**–**	–	**8,372**	9,939	**674**	4,757	**9,046**	14,696
Macau	**43,233**	–	**–**	–	**–**	–	**43,233**	–
Middle East	**–**	–	**13,681**	4,623	**–**	–	**13,681**	4,623
South America	**–**	–	**36,717**	30,580	**–**	–	**36,717**	30,580
North America	**–**	–	**4,116**	4,555	**–**	–	**4,116**	4,555
Europe	**–**	–	**775**	1,080	**–**	–	**775**	1,080
Other locations	**–**	–	**152**	1,278	**–**	–	**152**	1,278
	43,233	–	**63,813**	52,055	**674**	4,757	**107,720**	56,812

6. Staff costs

	Six months ended 30 June	
	2005 *HK$'000*	2004 *HK$'000*
Staff costs (including directors' remuneration)		
– salaries, bonus, allowances and benefits in kind *(NB 1)*	**23,450**	11,390
– expenses in relation to giving of shares by the controlling shareholder as gift *(NB 2)*	**448,000**	–
– expenses in relation to the grant of unlisted warrants *(NB 3)*	**48,800**	–
	520,250	11,390

NOTES TO THE ACCOUNTS

6. Staff costs *(Continued)*

NB 1: Included in cost of sales and operating costs are staff costs of HK$11,719,000 (2004 : HK$8,228,000) and HK$5,688,000 (2004 : nil) respectively, which had also been included in staff costs disclosed above.

NB 2: Upon the completion of the acquisition of Grandview Hotel on 31 March 2005, the controlling shareholder of the Company, Perfect View Development Limited, bestowed Choose Right Limited ("Choose Right") with its 400,000,000 shares and Sure Expert Limited ("Sure Expert") with its 1,200,000,000 shares respectively, for inviting Mr Lee Wai Man, now the non-executive director of the Company, being the beneficial owner of Choose Right and Mrs Chu Yuet Wah, now an executive director and chief executive officer of the Company, being the beneficial owner of Sure Expert, to be consultants of the Company in relation to the management of Grandview Hotel with gaming entertainment. The transaction falls within one of the three types of share-based payment transaction – equity-settled share-based payment transaction and the Company measured the services rendered, and the corresponding increase in equity, directly, at the fair value of the services rendered.

NB 3: The Company also granted 800,000,000 warrants conferring rights to subscribe up to HK$200,000,000 in aggregate in cash for shares at initial subscription price of HK$0.25 to Sure Expert to retain Mrs Chu's support to the Company as a consultant in the future in respect to the management of Grandview Hotel. The warrant is measured using the Black-Scholes Option Pricing Model with the following variables :

Closing share price at date of grant	HK$0.28
Risk free rate (being the yield of 3-year Exchange Fund Notes)	3.614% as at 31 March 2005
Expected volatility *(note i)*	14%
Expiration of the warrants	3 years from 31 March 2005

(i) The volatility measured at the standard deviation of expected share price returned is based on statistical analysis of daily shares prices over the one year immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the warrants and the historical volatility of the company shares set out above.

Details of the giving of shares by the controlling shareholder and granting of warrants are disclosed in the Company's circular dated 22 February 2005.

7. Operating loss

The operating loss is stated after charging the following:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Depreciation	**12,363**	434

NOTES TO THE ACCOUNTS

8. Finance costs

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Interest expense on bank loans and overdrafts	**3,430**	417
Interest on convertible debts	**82**	–
Other loan interest	**103**	–
	3,615	417

9. Taxation

No provision for Hong Kong profits tax has been made for six-months period ended 30 June 2005 as the Group has no assessable profit for the period.

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has no assessable profit for the period.

No provision for overseas taxation has been made for the period as the subsidiaries operating in the PRC had no assessable income for PRC taxation purpose.

10. Dividends

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004 : nil).

11. Loss per share

(a) The calculation of basic loss per share is based on the net loss attributable to shareholders for the six months ended 30 June 2005 of HK$365,905,000 (30 June 2004: HK$3,191,000), and the weighted average number of 1,081,318,604 ordinary shares (2004: 375,856,812 as restated by share consolidation of ten shares into one share) in issue during the period.

(b) Diluted loss per share for both periods has not been presented as the effect of any dilution is anti-dilutive.

12. Property, plant and equipment

During the period, the Group's acquisition of property, plant and equipment amounted to HK$502,893,000 (six months ended 30 June 2004 : nil).

NOTES TO THE ACCOUNTS

13. Available-for-sale investment/investment in associates

	30 June 2005 ***HK$'000***	31 December 2004 *HK$'000*
Available-for-sale investment, at fair value	**52,000**	–
Investment in associates, at cost	**–**	50,000

The available-for-sale investment represented 35% interest in Starway Management Limited ("Starway"). As disclosed in the annual report 2004, the directors formed a view that the Group did not have significant influence in Starway as the Group had neither representation on the Board of Starway nor participation in its financial and operating policy making processes. Accordingly, the investment is accounted for at its cost on initial measurement as a financial asset less any possible impairment loss.

On 10 January 2005, Win Matching Limited ("Win Matching"), a wholly owned subsidiary of the Company, and Sky Beyond Investments Limited ("Sky Beyond") entered into a disposal agreement, pursuant to which Win Matching agreed to dispose of its entire 35% shareholding interest in Starway Management Limited to Sky Beyond at a consideration of HK$52,000,000 in cash (the "Disposal"). The consideration for the Disposal was determined after arm's length negotiation between Win Matching and Sky Beyond based on 4% premium over the original acquisition price of the 35% interest in Starway by Win Matching of HK$50,000,000. The Disposal was duly approved by the independent shareholders at the special general meeting held on 28 July 2005.

14. Inventories

	30 June 2005 ***HK$'000***	31 December 2004 *HK$'000*
Raw material	**4,644**	3,731
Work in progress	**4,963**	6,061
Finished goods	**1,828**	151
	11,435	9,943

NOTES TO THE ACCOUNTS

15. Trade receivables

The Group generally grants a credit period of 30 to 180 days to its trade customers. The following is an aging analysis of trade receivables at the balance sheet date:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
0 – 3 months	**33,825**	13,141
4 – 6 months	**589**	451
7 – 12 months	**66**	161
	34,480	13,753

16. Investment at fair value through profit and loss/other investments

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Equity securities, listed in Hong Kong	**6,727**	4,194

17. Trade payables

The following is an aging analysis of trade payables at the balance sheet date:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
0 – 3 months	**15,527**	10,723
4 – 6 months	**2,515**	1,629
7 – 12 months	**2,254**	6,785
Over 12 months	**6,353**	1,925
	26,649	21,062

NOTES TO THE ACCOUNTS

18. Bank loans – secured

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
The maturity of the secured bank loan is as follow		
With one year	**7,477**	8,879
In the third to fifth year inclusive:	**500,000**	–
	507,477	8,879
Less : Amount due within one year shown under current liabilities	**(7,477)**	(8,879)
Amount due after one year	**500,000**	–

The bank loans are secured by certain leasehold land and buildings of the Group held outside Hong Kong.

19. Convertible debts

	30 June 2005 *HK$'000*	31 December 2004 (audited & restated) *HK$'000*
Convertible bonds, at fair value	**–**	19,582

All convertible debts were converted to shares of the Company during the six months period ended 30 June 2005.

NOTES TO THE ACCOUNTS

20. Share capital

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2005	30,000,000,000	300,000
Share consolidation	(27,000,000,000)	–
At 30 June 2005	3,000,000,000	300,000
Issued and fully paid:		
At 1 January 2005	9,526,510,980	95,265
Issue of shares	2,600,000,000	26,000
Share consolidation	(10,913,859,882)	–
At 30 June 2005	1,212,651,098	121,265

On 31 January 2005, 3 February 2005 and 16 February 2005, 375,000,000 shares, 275,000,000 shares and 350,000,000 shares, respectively, of HK$0.01 each were issued to the convertible bondholders upon the full conversion of the convertible bonds with total principal amount of HK$20,000,000 at a conversion price of HK$0.02 each. As such all convertible debts outstanding at 31 December 2004 were converted to shares of the Company.

On 31 March 2005, 500,000,000 ordinary shares at a price of HK$0.20 each were issued to satisfy part of the consideration pursuant to the sale and purchase agreement entered into between Futuremind Holdings Limited, a wholly owned subsidiary of the Company and Grand View Hotel Investment S. A. for the acquisition of Grandview Hotel and all the fixed assets on 8 March 2005.

On 31 May 2005, 1,100,000,000 ordinary shares at a price of HK$0.4545 each were issued to satisfy part of the consideration pursuant to the sale and purchase agreement entered into between Next Champion Limited, a wholly owned subsidiary of the Company and the vendors for the acquisition of Hang Huo Hotel Holdings Limited on 19 February 2005.

Pursuant to a special resolution passed on 6 June 2005, a capital reorganisation was undertaken which involved share consolidation on the basis that every 10 issued shares of HK$0.01 each in the share capital of the company were consolidated into 1 consolidated share of HK$0.1 each.

NOTES TO THE ACCOUNTS

21. Acquisition of a subsidiary

On 31 May 2005, Next Champion Limited, a wholly owned subsidiary of the Company, acquired (i) the entire shareholding interest in Hang Huo Hotel Holdings Limited (now known as GR Casa Real Holdings Limited) (which holds 99% shareholding interest in Hang Huo Hotel Company Limited (now known as GR Casa Real (HK) Company Limited) and (ii) 1% shareholding interest in Hang Huo Hotel Company Limited (now known as GR Casa Real Company Limited) (collectively as "Casa Real") at a consideration of HK$1.25 billion.

Details of the net assets of Casa Real acquired by the Group were as follows:

	Casa Real's carrying amount before combination *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Property, plant and equipment	275,085	1,126,015	1,401,100
Deferred tax assets	4,856	–	4,856
Inventories	1,196	–	1,196
Debtors, deposits and prepayment	6,860	–	6,860
Bank balance and cash	2,010	–	2,010
Account payable	(4,680)	–	(4,680)
Other payable and accruals	(9,789)	(657)	(10,446)
Net assets	275,538	1,124,258	1,400,896
Discount on acquisition			(158,075)
Total consideration (note)			1,242,821
Satisfied by			
Cash			742,821
Issue of shares			500,000
			1,242,821
Net cash outflow arising on acquisition			
Cash consideration paid			742,821
Cash and cash equivalent acquired			(2,010)
			740,811

Note: The consideration per the sale and purchase agreement of acquisition of Casa Real (the "Agreement") is HK$1,250,000,000 and the Net Amount which means the current assets less liabilities as defined in the Agreement. As the Net Amount is not yet agreed between the vendors and the Company, the consideration is subject to amendment.

NOTES TO THE ACCOUNTS

22. Operating lease commitment

At 30 June 2005, the Group had total future minimum lease payments under non-cancellable operating leases in respect of properties and motor vehicles payable as follows:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Within one year	**3,524**	–
After one year but within five years	**4,902**	–
	8,426	–

23. Pledge of assets

At 30 June 2005, certain leasehold land and buildings located in PRC and Macau with net book value of HK$1,739,587,000 were pledged to secure banking facilities granted to the Group.

24. Change of company name

Pursuant to a special resolution passed on 17 March 2005, the name of the Company was changed from "Medtech Group Company Limited" to "Golden Resorts Group Limited" and "黃金集團有限公司" was adopted as the Chinese name of the Company with effect from 15 April 2005.

25. Post balance sheet event

Subsequent to the balance sheet date, the Company disposed of its entire interest in Starway Management Limited. Details of the disposal agreement are set out in note 13 above.

26. Related party transactions

	Six months ended 30 June	
	2005 *HK$'000*	2004 *HK$'000*
Related party		
– Financial advisory services fee paid to a corporation controlled by a director of the Company	**1,600**	–
Key management personnel compensation		
– Incentive payment on joining	**496,800**	–

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (30 June 2004: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 30 June 2005 the interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

	Number of shares of the Company				
Name of Directors	Personal Interests	Corporate Interests	No. of underlying shares of the Company	Total	Approximate percentage of shareholding
Mr CHEUNG Yu Shum, Jenkin *(Note 1)*	–	285,630,000	–	285,630,000	23.55
Mrs CHU Yuet Wah *(Note 2)*	13,590,000	125,314,338	80,000,000	218,904,338	18.05
Mr LEE Wai Man *(Note 3)*	6,284,000	40,001,005	–	46,285,005	3.81
Mr WONG King Shiu, Daniel *(Note 4)*	28,333,333	–	–	28,333,333	2.33
Mr WONG Kui Tak *(Note 5)*	400,000	–	–	400,000	0.03

Notes:

(1) The shares under "Corporate Interests" were held by Perfect View Development Limited ("Perfect View"), a company incorporated in the British Virgin Islands, which is wholly-owned by Mr CHEUNG Yu Shum, Jenkin. As at 30 June 2005, Perfect View held 285,630,000 shares, subsequent to this date, Perfect View has disposed of in total 85,000,000 shares.

(2) As at 30 June 2005, Mrs CHU Yuet Wah (i) under "Corporate Interests", through Sure Expert Limited ("Sure Expert"), a company incorporated in the British Virgin Islands, which is wholly-owned by Mrs CHU, held 120,000,000 shares, held 5,313,333 shares through Kingston Capital Limited and 1,005 shares through Kingston Securities Limited, both Kingston Capital Limited and Kingston Securities Limited are controlled by Mrs CHU; (ii) under "No. of underlying shares of the Company" through Sure Expert held 80,000,000 warrants conferring rights to subscribe for up to HK$200,000,000 in aggregate in cash for 80,000,000 new shares at an adjusted subscription price of HK$2.50 per share.

(3) Mr LEE Wai Man (i) under "Corporate Interests", through Choose Right Limited ("Choose Right"), a company incorporated in the British Virgin Islands, which is wholly-owned by Mr LEE, held 40,000,000 shares, Mr LEE's spouse held 1,005 shares through Kingston Securities Limited.

(4) Mr WONG King Shiu, Daniel resigned as independent non-executive director on 8 June 2005.

(5) Mr WONG Kui Tak resigned as independent non-executive director on 23 February 2005.

Save for those disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director of the Chief Executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Capacity	No. of shares	Approximate percentage of shareholding
Perfect View Development Limited *(Note 1)*	Beneficial Owner	285,630,000	23.55
Mr CHEUNG Yu Shum, Jenkin *(Note 1)*	Interest in controlled corporation	285,630,000	23.55
Sure Expert Limited *(Note 2)*	Beneficial Owner	200,000,000	16.49
Mrs CHU Yuet Wah *(Note 2)*	Beneficial Owner	13,590,000	1.12
	Interest in controlled corporation	205,314,338	16.93

Notes:

(1) Mr CHEUNG Yu Shum, Jenkin, through Perfect View, held 285,630,000 shares.

(2) Mrs CHU Yuet Wah through Sure Expert held 120,000,000 shares and 80,000,000 warrants conferring rights to subscribe for up to HK$200,000,000 in aggregate in cash for 80,000,000 new shares at an adjusted subscription price of HK$2.50 per share. Mrs CHU also held 5,313,333 shares through Kingston Capital Limited and 1,005 shares through Kingston Securities Limited as at 30 June 2005. Both Kingston Capital Limited and Kingston Securities Limited are controlled by Mrs CHU.

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2005.

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

During the six months ended 30 June 2005, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has compiled with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2005, with deviations from code provision A 4.1 of the Code in respect of the service term.

Under the code provision A 4.1, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A 4.1 of the Code. However, all the directors of the Company (executive and non-executive) are subject to the retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2005.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgemental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 June 2005.

By Order of The Board
Golden Resorts Group Limited
CHEUNG Yu Shum, Jenkin
Chairman

Hong Kong, 20 September 2005