金榜集團控股有限公司

GOLDBOND GROUP HOLDINGS LIMITED

2005/06 Interim Report

The board of directors (the "Directors") of Goldbond Group Holdings Limited (the "Company") (collectively referred to as the "Board") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2005 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 2005
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	**2005** *$'000* **(unaudited)**	2004 *$'000* (unaudited)
Turnover	*3*	**16,439**	11,914
Direct outgoings		**(2,948)**	(1,062)
Gross profit		**13,491**	10,852
Other revenue	*4*	**2,235**	2,342
Other net gain/(loss)	*4*	**37**	(135)
Administrative expenses		**(15,004)**	(7,332)
Other operating expenses	*5*	**(10,842)**	–
Change in fair value of investment properties	*8(b)*	**21,606**	–
Profit from operations		**11,523**	5,727
Share of loss of associate		**(1,601)**	–
Share of profits/(losses) of jointly controlled entities		**3,316**	(2,427)
Finance costs	*5*	**(7,461)**	(1,150)
Profit before taxation	*5*	**5,777**	2,150
Income tax	*6*	**(4,291)**	(480)
Profit after taxation		**1,486**	1,670
Attributable to:			
Shareholders of the Company	*18*	**1,486**	1,670
Minority interests	*18*	**–**	–
Profit after taxation	*18*	**1,486**	1,670
Earnings per share			
Basic	*7(a)*	**0.1 cents**	0.1 cents
Diluted	*7(b)*	**N/A**	0.1 cents

The notes on pages 6 to 29 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

at 30 September 2005
(Expressed in Hong Kong dollars)

	Note	At 30 September 2005 $'000 (unaudited)	At 31 March 2005 $'000 (audited) (restated)
Non-current assets			
Fixed assets			
– Investment properties		**440,300**	415,108
– Property, plant and equipment		**3,401**	779
	8	**443,701**	415,887
Interest in associate		**28,153**	29,280
Interest in jointly controlled entities		**98,673**	126,549
Other investments		**3,000**	3,000
		573,527	574,716
Current assets			
Amounts due from jointly controlled entities		**11,167**	11,315
Trading securities		**5,048**	–
Trade and other receivables	*9*	**35,122**	9,234
Current tax recoverable		**–**	311
Security deposits	*10*	**11,708**	–
Pledged deposits	*12*	**–**	20,005
Cash and cash equivalents	*11*	**70,133**	13,314
		133,178	54,179
Current liabilities			
Interest-bearing bank loans	*12*	**30,574**	13,412
Amount due to a related company	*13(a)*	**20,359**	–
Tax payable		**199**	–
Other payables and accruals	*14*	**21,876**	14,340
		73,008	27,752
Net current assets		**60,170**	26,427
Total assets less current liabilities		**633,697**	601,143

CONSOLIDATED BALANCE SHEET

at 30 September 2005 – continued
(Expressed in Hong Kong dollars)

	Note	**At 30 September 2005 *$'000* (unaudited)**	At 31 March 2005 *$'000* (audited) (restated)
Non-current liabilities			
Interest-bearing bank loans	*12*	**157,793**	164,580
Amount due to a related company	*13(b)*	**4,808**	–
Amounts due to minority shareholders	*15*	**17,477**	–
Convertible notes	*16*	**85,097**	100,000
Redeemable convertible preference shares	*17*	**1,114**	6,840
Deferred taxation		**13,364**	9,583
		279,653	281,003
Net assets		**354,044**	320,140
Capital and reserves			
Share capital	*18*	**166,244**	166,244
Reserves		**187,800**	153,896
Total equity attributable to shareholders of the Company	*18*	**354,044**	320,140
Minority interests	*18*	–	–
Total equity	*18*	**354,044**	320,140

The notes on pages 6 to 29 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2005
(Expressed in Hong Kong dollars)

	Note	**Six months ended 30 September 2005** **$'000**	**$'000**	Six months ended 30 September 2004 $'000	$'000
		(unaudited)		(unaudited) (restated)	
Total equity at 1 April					
As previously reported at 31 March	*18*	**326,980**		299,045	
Prior period adjustments arising from changes in accounting policies	*2(a)(i) & (ii), 18*	**(6,840)**		(6,840)	
As restated, before opening balance adjustments	*18*	**320,140**		292,205	
Opening balance adjustments arising from changes in accounting policies	*2(a)(i), 18*	**29,708**		–	
At 1 April, after prior period and opening balance adjustments			**349,848**		292,205
Net income for the period recognised directly in equity					
Exchange difference on translation of financial statements of entities outside Hong Kong			**1,696**		–
Net profit for the period	*18*		**1,486**		1,670
Total recognised income and expense for the period carried forward			**3,182**		1,670
Attributable to:					
– Shareholders of the Company		**3,182**		1,670	
– Minority interests		**–**		–	
		3,182		1,670	
Movements in shareholders' equity arising from capital transactions with shareholders of the Company					
Equity settled share-based transactions	*18*		**1,014**		–
Total equity at 30 September			**354,044**		293,875

The notes on pages 6 to 29 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2005
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September **2005** ***$'000*** **(unaudited)**	2004 *$'000* (unaudited)
Net cash used in operating activities		**(6,055)**	(1,692)
Net cash generated from/(used in) investing activities		**15,351**	(369)
Net cash generated from financing activities		**47,523**	50,462
Increase in cash and cash equivalents		**56,819**	48,401
Cash and cash equivalents at 1 April		**13,314**	9,583
Cash and cash equivalents at 30 September	*11*	**70,133**	57,984

The notes on pages 6 to 29 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 15 December 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

The 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 30.

The financial information relating to the financial year ended 31 March 2005 that is included in the interim financial report as being previously reported information 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 2005 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 2005.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 April 2005 which have been reflected in this interim financial report.

(a) Summary of the effect of changes in the accounting policies

(i) Effect on opening balance of total equity at 1 April 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 April 2005. These are the aggregate effect of retrospective adjustments to the net assets as at 31 March 2005 and the opening balance adjustments made as at 1 April 2005.

Effect of new policy (increase/(decrease))	Note	Retained profits $'000	Capital and other reserves $'000	Total $'000	Minority interests $'000	Total equity $'000
Prior period adjustments:						
HKAS 32						
Redeemable convertible preference shares issued	2(c)	–	(6,840)	(6,840)	–	(6,840)
HKFRS 2						
Equity settled share-based transactions	2(b)	(852)	852	–	–	–
Total increase/(decrease) in equity before opening balance adjustments		(852)	(5,988)	(6,840)	–	(6,840)
Opening balance adjustments:						
HKAS 39						
Convertible notes	2(c)	(3,750)	22,297	18,547	–	18,547
Redeemable convertible preference shares issued	2(c)	5,801	–	5,801	–	5,801
HKFRS 3						
Negative goodwill	2(d)	10,360	(5,000)	5,360	–	5,360
		12,411	17,297	29,708	–	29,708
Total effect at 1 April 2005		11,559	11,309	22,868	–	22,868

(ii) Effect on opening balance of total equity at 1 April 2004 (as adjusted)

The following table sets out only those adjustments that have been made to the opening balances at 1 April 2004. As explained in notes 2(c) and (d), certain of the changes in policy did not result in retrospective adjustments being made to the opening balances as at 1 April 2004 as this was prohibited by the relevant transitional provisions of the respective HKFRSs.

Effect of new policy (increase/(decrease))	*Note*	**Retained profits** *$'000*	**Capital and other reserves** *$'000*	**Total** *$'000*	**Minority interests** *$'000*	**Total equity** *$'000*
HKAS 32						
Redeemable convertible preference shares issued	*2(c)*	–	(6,840)	(6,840)	–	(6,840)

(iii) Effect on profit after taxation for the six months ended 30 September 2005 (estimated) and 30 September 2004 (as adjusted)

In respect of the six months ended 30 September 2005, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six months ended 30 September 2004, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs. As retrospective adjustments have not been made for all changes in policies, as explained in notes 2(c) and (d), the amounts shown for the six months ended 30 September 2004 may not be comparable to the amounts shown for the current interim period.

Effect of new policy (increase/(decrease))	Note	Six months ended 30 September 2005 Shareholders of the Company $'000	Minority interests $'000	Total $'000	Six months ended 30 September 2004 Shareholders of the Company $'000	Minority interests $'000	Total $'000
HKFRS 2							
Equity settled share-based transactions	2(b)	(1,014)	–	(1,014)	–	–	–
HKAS 39							
Redeemable convertible preference shares issued		(75)	–	(75)	–	–	–
Convertible notes		(3,644)	–	(3,644)	–	–	–
	2(c)	(3,719)	–	(3,719)	–	–	–
Total effect for the period		(4,733)	–	(4,733)	–	–	–
Effect on earnings per share:							
– basic (cents)		(0.3)	–	(0.3)	–	–	–
– diluted (cents)		–	–	–	–	–	–

(iv) Effect on amounts recognised as capital transactions with owners for the six months ended 30 September 2005 (estimated) and 30 September 2004 (as adjusted)

In respect of the six months ended 30 September 2005, the following table provides estimates of the extent to which the amounts recorded as capital transactions with owners are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six months ended 30 September 2004, the table discloses the adjustments that have been made to the amounts recorded as capital transactions with owners as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs. As retrospective adjustments have not been made for all changes in policies, as explained in notes 2(c) and (d), the amounts shown for the six months ended 30 September 2004 may not be comparable to the amounts shown for the current interim period.

Effect of new policy (increase/(decrease))	*Note*	**Six months ended 30 September 2005** Shareholders of the Company $'000	Minority interests $'000	Total $'000	Six months ended 30 September 2004 Shareholders of the Company $'000	Minority interests $'000	Total $'000
HKFRS 2							
Equity settled share-based transactions							
– effect recognised in capital reserve	*2(b)*	**1,014**	**–**	**1,014**	–	–	–

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

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

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the profit and loss account, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in the capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to employees on or before 7 November 2002; and

(ii) all options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

The effects of the adoption of this new accounting policy are set out in note 2(a). No adjustments to opening balances as at 1 April 2004 are required as no options existed at that date.

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

Changes in accounting policies relating to financial instruments are as follows:

(i) Changes in measurement of financial instruments

In prior years, the accounting policies for certain financial instruments were as follows:

– trading securities were stated at fair value with changes in fair value recognised in the profit and loss account.

– non-trading other investments were stated in the balance sheet at fair value. Changes in fair value were recognised in the investment revaluation reserve.

– convertible notes issued were stated at amortised cost (including transaction costs).

With effect from 1 April 2005, and in accordance with HKAS 39, the following new accounting policies have been adopted for financial instruments:

– all trading securities are classified as financial assets at fair value through profit and loss account and carried at fair value. Changes in fair value are recognised in the profit and loss account.

  This new accounting policy has no impact on the financial statements for the six months ended 30 September 2005 and the comparative information.

– all non-trading investments are classified as available-for-sale securities and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the profit and loss account for period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale equity securities is recognised directly in equity.

This new accounting policy has no impact on the financial statements for the six months ended 30 September 2005 and the comparative information.

– convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the note is either converted (in which case it is transferred to share premium) or the note is redeemed (in which case it is released directly to retained profits).

This change was adopted by way of an adjustment to opening balances as at 1 April 2005 as set out in note 2(a). Comparative amounts have not been restated as this is prohibited by the transitional arrangements set out in HKAS 39.

(ii) Reclassification of redeemable convertible preference shares as financial liabilities

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

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

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

With effect from 1 April 2005, and in accordance with HKAS 39, redeemable convertible preference shares are split into their liability and equity components at initial recognition which is similar to convertible notes as explained in note 2(c)(i). This change was adopted by way of an adjustment to opening balances as at 1 April 2005 as set out in note 2(a). Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

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

In prior years:

– positive goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill in respect of acquisitions made prior to 1 April 2001 was credited directly to the capital reserve. Negative goodwill which arose on or after 1 April 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses at the date of acquisition. In such cases it was recognised in the profit and loss account as those expected losses were incurred.

With effect from 1 April 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such 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 recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from 1 April 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the profit and loss account as it arises.

The change in policy relating to positive goodwill had no effect on the interim financial report as there was no positive goodwill subject to amortisation as at 31 March 2005.

The new policy in respect of negative goodwill was adopted by way of an adjustment to the opening balances as at 1 April 2005 as set out in note 2(a).

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

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

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the shareholders of the Company.

No restatement of comparative figures are necessary since there are no minority interests.

(f) Share of profits or losses of associate and jointly controlled entities (HKAS 1, Presentation of financial statements)

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

As a result of this new presentation, the Group's share of profits of jointly controlled entities has decreased by $1,085,000 (six months ended 30 September 2004: $Nil). The Group's income tax has decreased by the same amount accordingly and there is no net effect on net assets in either period. There is no impact on the share of loss of associate as there is no income tax attributable to the associate during the period (six months ended 30 September 2004: $Nil).

3 TURNOVER AND SEGMENT REPORTING

The Group's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents gross rental income and revenue from financial services. Net gains from revaluation of investment properties are included in the segment result for the property leasing segment.

For the six months ended	Property leasing 2005 $'000	Property leasing 2004 $'000	Financial services 2005 $'000	Financial services 2004 $'000	Unallocated 2005 $'000	Unallocated 2004 $'000	Consolidated 2005 $'000	Consolidated 2004 $'000
Revenue from external customers (turnover)	**15,344**	11,914	**1,095**	–	**–**	–	**16,439**	11,914
Segment result	**27,211**	4,102	**(14,963)**	–	**–**	–	**12,248**	4,102
Unallocated operating (expenses)/income							**(725)**	1,625
Profit from operations							**11,523**	5,727

4 OTHER REVENUE AND OTHER NET GAIN/(LOSS)

	Six months ended 30 September 2005 $'000 (unaudited)	2004 $'000 (unaudited)
Other revenue		
Management fee income	**319**	273
Interest income	**1,193**	353
Rentals receivable from other investments	**73**	109
Write-back of long-outstanding payables	**–**	1,352
Others	**650**	255
	2,235	2,342
Other net gain/(loss)		
Net unrealised gain on trading securities	**37**	–
Loss on disposal of fixed assets	**–**	(135)
	37	(135)

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
	(unaudited)	(unaudited)
Staff costs (including directors' remuneration):		
Wages, salaries and allowances	**7,521**	5,092
Equity settled share-based transactions	**1,014**	–
Retirement costs	**314**	93
	8,849	5,185
Other operating expenses:		
Impairment of goodwill	**7,954**	–
Provision for amount due from jointly controlled entity	**2,888**	–
	10,842	–
Finance costs:		
Bank loans and other borrowings	**3,742**	1,150
Convertible notes	**3,644**	–
Redeemable convertible preference shares	**75**	–
	7,461	1,150
Other items:		
Operating lease charges in respect of properties	**1,099**	248
Depreciation	**306**	81
Share of jointly controlled entity's taxation	**1,085**	–
Rentals receivable from investment properties less direct outgoings of $2,948,000 (six months ended 30 September 2004: $1,062,000)	**(12,396)**	(10,852)

6 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
	(unaudited)	(unaudited)
Current tax – Provision for Hong Kong Profits Tax		
Tax for the period	**510**	480
Deferred tax		
Origination and reversal of temporary differences	**3,781**	–
Total income tax expense	**4,291**	480

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the six months ended 30 September 2005. Income tax for subsidiaries established and operating in the Mainland China is calculated based on the applicable rates of income tax ruling in the relevant provinces in the Mainland China.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $1,486,000 (six months ended 30 September 2004: $1,670,000) and the weighted average of 1,662,440,000 (six months ended 30 September 2004: 1,662,440,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 September 2005 are not presented as there are no dilutive potential ordinary shares at the period end.

The calculation of diluted earnings per share for the period ended 30 September 2004 is based on the profit attributable to ordinary shareholders of $1,670,000 and the weighted average number of ordinary shares of 1,790,695,000 ordinary shares after adjusting for the effects of all potential ordinary shares.

	Six months ended 30 September 2004 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,662,440,000
Deemed issue of shares for no consideration arising from convertible notes	128,255,000
	1,790,695,000

8 FIXED ASSETS

(a) Acquisition and disposals

During the six months ended 30 September 2005, the Group acquired items of investment property and property, plant and equipment with a cost of $6,609,000 (six months ended 30 September 2004: $535,000). Items of investment property with a carrying value of $148,000 were disposed of during the six months ended 30 September 2005 (six months ended 30 September 2004: $300,000), with no gain or loss arising on disposal (six months ended 30 September 2004: $Nil).

(b) Investment properties carried at fair value were revalued on an open market value basis at 30 September 2005 by an independent firm of surveyors, Chesterton Petty Limited ("Chesterton"), who have among their staff Fellows of the Hong Kong Institute of Surveyors. As a result of the revaluation, a net gain of $21,606,000 (2004: $Nil), and deferred tax thereon of $3,781,000 (2004: $Nil), have been included in the consolidated profit and loss account.

(c) Certain investment properties with an aggregate carrying value of $436,700,000 (31 March 2005: $415,000,000) have been pledged to a bank as security for certain bank loans and facilities granted to the Group.

(d) The Group leases out investment properties under operating lease arrangements, with leases negotiated for an average period of one to three years. The terms of the leases normally require the tenants to place rental deposits which generally approximate one to three months' period payment. Upon expiry the lease may be renewed but all terms are renegotiated. None of the leases includes contingent rentals.

At 30 September 2005, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 30 September 2005 **$'000** **(unaudited)**	At 31 March 2005 $'000 (audited)
Within one year	**27,181**	22,496
After one year but within five years	**19,167**	6,262
	46,348	28,758

9 TRADE AND OTHER RECEIVABLES

	At 30 September 2005 **$'000** **(unaudited)**	At 31 March 2005 $'000 (audited)
Accounts receivable	**1,080**	290
Prepayments, deposits and other receivables	**34,042**	8,944
	35,122	9,234

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 2005 **$'000** **(unaudited)**	At 31 March 2005 $'000 (audited)
Outstanding balances aged		
– Within one month	**1,064**	221
– More than one month but less than three months	**16**	69
	1,080	290

Included in the prepayments, deposits and other receivables are amounts totalling RMB24,000,000 (equivalent to approximately $23,077,000) which represent advances to independent third parties. Such amounts are unsecured, interest free and repayable within one year.

10 SECURITY DEPOSITS

At 30 September 2005, security deposits are placed by the Group with banks to secure the Group's due performance in relation to the financial services business in the Mainland China.

11 CASH AND CASH EQUIVALENTS

	At 30 September 2005	At 31 March 2005
	$'000	*$'000*
	(unaudited)	(audited)
Cash at bank and in hand	**49,834**	7,306
Deposits with banks	**20,299**	6,008
	70,133	13,314

12 INTEREST-BEARING BANK LOANS

	At 30 September 2005	At 31 March 2005
	$'000	*$'000*
	(unaudited)	(audited)
Unsecured short-term bank loans	**17,000**	–
Secured bank loans	**171,367**	177,992
Portion classified as current liabilities	**(30,574)**	(13,412)
Non-current portion	**157,793**	164,580
Bank loans are repayable:		
– Within one year	**30,574**	13,412
– In the second year	**13,574**	13,574
– In the third to fifth year, inclusive	**40,722**	40,722
– Beyond five years	**103,497**	110,284
	188,367	177,992

At 30 September 2005, the Group borrowed bank loans which were secured by the following:

– certain investment properties of the Group with an aggregate carrying value of $436,700,000 (31 March 2005: $415,000,000);

– an assignment of the rental income derived therefrom;

– a charge over the shares of a subsidiary, 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.

At 30 September 2005, the Group had a banking facility of $66,000,000 (31 March 2005: $66,000,000) granted by a bank in Hong Kong. At 31 March 2005, such bank facility was secured by pledged deposits totalling US$2,563,000 (equivalent to approximately $20,005,000) plus interest thereupon. The pledged deposits were released by the bank during the current period. The banking facility was utilised to the extent of $17,000,000 at 30 September 2005 (31 March 2005: $Nil).

13 AMOUNT DUE TO A RELATED COMPANY

(a) The amount due to a related company classified as a current liability is unsecured, interest bearing at prime rate plus 2% per annum and repayable within one year.

(b) The amount due to a related company classified as a non-current liability is unsecured, interest bearing at prime rate and repayable after one year.

14 OTHER PAYABLES AND ACCRUALS

Other payables and accruals expected to be settled after one year total $6,374,000 (31 March 2005: $2,390,000).

15 AMOUNTS DUE TO MINORITY SHAREHOLDERS

Amounts due to minority shareholders are unsecured, interest bearing at rates ranging from prime rate to prime rate plus 2% per annum and repayable after one year.

16 CONVERTIBLE NOTES

On 5 August 2004, the Company issued convertible notes with a nominal value of $70,000,000 to a related company which is under common control. The notes are interest free and mature on 5 August 2007 when they may be converted into ordinary shares of the Company at a conversion price of $0.17 per ordinary share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the notes shall be converted into 411,764,705 ordinary shares of the Company.

On 31 December 2004, the Company issued convertible notes with a nominal value of $30,000,000 to a related company which has common directors. The notes are interest free and mature on 5 August 2007 when they may be converted into ordinary shares of the Company at a conversion price of $0.129 per ordinary share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the notes shall be converted into 232,558,140 ordinary shares of the Company.

The convertible notes were split into liability and equity components of $77,703,000 and $22,297,000, respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the capital reserve.

17 REDEEMABLE CONVERTIBLE PREFERENCE SHARES

At 30 September 2005, 68,400,000 preference shares were in issue (31 March 2005: 68,400,000 preference shares). The preference shares carry no right to dividend distributions to the holders. The conversion rights attached to the preference shares lapsed with no conversion during the year ended 31 March 2005.

Pursuant to the terms and conditions of the preference shares, the preference shares may be redeemed by the holders of the preference shares at any time subsequent to 50 years after the date of issue at a redemption value of $10.00 per preference share.

The preference shares were split into liability and equity components of $811,000 and $6,029,000, respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is carried at amortised cost and the equity component has been included in the retained earnings since the conversion rights lapsed during the year ended 31 March 2005.

18 CAPITAL AND RESERVES

	Attributable to shareholders of the Company										
	Share capital $'000	Share premium $'000	Investment revaluation reserve $'000	General reserve $'000	Capital reserve $'000	Exchange fluctuation reserve $'000	Special capital reserve $'000	(Accumulated losses)/ retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 April 2004											
– as previously reported	173,084	97,713	3,000	6,000	5,000	–	64,788	(50,540)	299,045	–	299,045
– prior period adjustments in respect of											
– redeemable convertible preference shares issued	(6,840)	–	–	–	–	–	–	–	(6,840)	–	(6,840)
– as restated	166,244	97,713	3,000	6,000	5,000	–	64,788	(50,540)	292,205	–	292,205
Transfer between reserves	–	–	–	–	–	–	(64,788)	64,788	–	–	–
Profit for the period	–	–	–	–	–	–	–	1,670	1,670	–	1,670
At 30 September 2004 (as restated)	166,244	97,713	3,000	6,000	5,000	–	–	15,918	293,875	–	293,875
At 1 April 2005											
– as previously reported	173,084	97,713	3,000	6,000	5,000	–	–	42,183	326,980	–	326,980
– prior period adjustments in respect of											
– redeemable convertible preference shares issued	(6,840)	–	–	–	–	–	–	–	(6,840)	–	(6,840)
– equity settled share-based transactions	–	–	–	–	852	–	–	(852)	–	–	–
– as restated, before opening balance adjustments	166,244	97,713	3,000	6,000	5,852	–	–	41,331	320,140	–	320,140
– opening balance adjustments in respect of											
– convertible notes	–	–	–	–	22,297	–	–	(3,750)	18,547	–	18,547
– redeemable convertible preference shares issued	–	–	–	–	–	–	–	5,801	5,801	–	5,801
– negative goodwill	–	–	–	–	(5,000)	–	–	10,360	5,360	–	5,360
– as restated, after opening balance adjustments	166,244	97,713	3,000	6,000	23,149	–	–	53,742	349,848	–	349,848
Profit for the period	–	–	–	–	–	–	–	1,486	1,486	–	1,486
Equity settled share-based transactions	–	–	–	–	1,014	–	–	–	1,014	–	1,014
Exchange difference on translation of financial statement of entities outside Hong Kong	–	–	–	–	–	1,696	–	–	1,696	–	1,696
At 30 September 2005	**166,244**	**97,713**	**3,000**	**6,000**	**24,163**	**1,696**	**–**	**55,228**	**354,044**	**–**	**354,044**

19 COMMITMENTS

Capital commitments outstanding at 30 September 2005 not provided for in the Group's interim financial report were as follows:

	At 30 September 2005 ***$'000*** **(unaudited)**	At 31 March 2005 *$'000* (audited)
The Group		
Contracted, but not provided for		
– Acquisition of other investments	**7,605**	15,210
– Acquisition of a subsidiary	**21,193**	–
	28,798	15,210
The Group's share of capital commitments of a jointly controlled entity		
Contracted, but not provided for		
– Construction of properties under development	**112,643**	142,183
– Acquisition of certain subsidiaries in the Mainland China	**–**	13,962
	112,643	156,145

20 CONTINGENT LIABILITIES

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

(i) The Company has given a guarantee of US$3,750,000 (equivalent to approximately $29,250,000) in respect of banking facilities granted to a jointly controlled entity, the Group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities.

(ii) The Company has given a guarantee to a bank to secure a bank loan as disclosed in note 12.

(iii) During the current period, the Company entered into funding, allocation and distribution agreements in respect of a new bank loan amounting to RMB148,977,000 (equivalent to approximately $143,247,000) borrowed by a jointly controlled entity.

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

(iv) The Group has contingent liabilities of RMB83,828,000 (equivalent to approximately $80,604,000) in relation to the provision of the guarantee services in the Mainland China.

21 ACQUISITION OF SUBSIDIARIES

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

The principal activity of the Rongzhong Group Limited is the provision of loan guarantee services in the Mainland China. The acquired business contributed revenues of $1,163,000 and a net loss of $7,976,000 to the Group for the period from 7 July 2005 to 30 September 2005. If the acquisition had occurred on 1 April 2005, Group revenue would have been $17,361,000, and profit after taxation would have been $1,486,000.

Net liabilities acquired:

	$'000
Cash and cash equivalents	**13,269**
Property, plant and equipment	**2,747**
Trade and other receivables	**35,741**
Security deposits	**5,107**
Other payables and accruals	**(10,009)**
Amount due to shareholders	**(60,101)**
Net identifiable assets and liabilities	**(13,246)**
Share of net liabilities attributable to the Group upon acquisition (11%)	**1,457**
Net liabilities transferred from minority interests (49%)	**6,491**
Share of net liabilities attributable to the Group on the purchase of the initial 40% equity interest	**6**
Net liabilities acquired	**7,954**
Goodwill arising on consolidation	**(7,954)**
Total purchase price paid, satisfied in cash	**–**
Less: Cash of the subsidiary acquired	**13,269**
Net cash inflow in respect of the purchase of subsidiaries	**(13,269)**

Management of the Group has assessed the recoverable amount of goodwill at 30 September 2005 based on the latest business plan of Rongzhong Group Limited which takes into account the macro economic measures in the Mainland China. Based on this assessment, the carrying amount of goodwill was considered to be impaired. Accordingly, the carrying amount of goodwill of $7,954,000 has been written off to the consolidated profit and loss account in the current period.

22 MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	Six months ended 30 September **2005** **$'000** **(unaudited)**	2004 *$'000* (unaudited)
Issue of convertible notes	*16*	**–**	70,000
Legal and professional fee paid to related companies		**288**	416
Rental expenses paid to a related company		**397**	198
Interest income from jointly controlled entities		**942**	351
Interest expense to a related company		**359**	101
Provision for amount due from a jointly controlled entity		**2,888**	–
Acquisition of subsidiaries from a venturer of a jointly controlled entity			
– purchase price paid	*21*	**–**	–
– impairment of goodwill	*21*	**7,954**	–

The Directors of the Company are of the opinion that the above related transactions were conducted in the ordinary course of business.

23 POST BALANCE SHEET EVENTS

Pursuant to an agreement signed on 9 April 2005, a 51% owned subsidiary (previously a jointly controlled entity) of the Company agreed to acquire the entire equity interest in 武漢市融眾信用擔保有限公司 (Wuhan Rongzhong Credit Guarantee Co Limited), a company incorporated in the Mainland China, at a consideration of RMB22,041,000 (equivalent to approximately $21,193,000). The principal activity of the acquired company is the provision of financial services in the Mainland China. The acquisition was completed on 31 October 2005.

24 INTERIM DIVIDEND

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 September 2005 (30 September 2004: $Nil).

25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDING 31 MARCH 2006

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendment which is not effective for the accounting year ending 31 March 2006.

	Effective for accounting periods beginning on or after
Amendments to HKAS 39, Financial instruments: recognition and measurement	1 April 2006

The above amendment has not been applied in this interim financial report because the Directors expect that the Group will not adopt it when preparing the Group's annual financial statements for the year ending 31 March 2006.

The Group is in process of making an assessment of the impact of this amendment in the period of initial application but is not yet in a position to state whether this amendment will have a significant impact on its results of operations and financial position.

26 APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 15 December 2005.

KPMG

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 29.

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 Hong Kong Accounting Standard 34 "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 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 2005.

KPMG
Certified Public Accountants
Hong Kong, 15 December 2005

RESULTS AND DIVIDEND

Turnover of the Group for the period ended 30 September 2005 was approximately HK$16,439,000 (2004: HK$11,914,000). The Group recorded a profit after tax of approximately HK$1,486,000 (2004: HK$1,670,000), which was mainly attributable to the surplus on revaluation of the Group's investment properties, the profit from leasing of investment properties and the loss of loan guarantee business.

The Board did not recommend the payment of interim dividend in respect of the six months ended 30 September 2005 (2004: HK$nil).

BUSINESS REVIEW

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

Property development and investment

Golden Plaza

The rental income derived from Golden Plaza in Hong Kong for the period under review was approximately HK$15,344,000 (2004: 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 the 3rd floor. The renovation and upgrade (including the basement) was completed in April 2005. As at 30 September 2005, more than 90% of the total gross floor area of Golden Plaza had been rented. It is expected that Golden Plaza will continue to generate stable income with attractive rental yield to the Group in the foreseeable future.

As at 30 September 2005, the market value of Golden Plaza as revalued by independent professional valuers was HK$440,300,000.

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 ("NIG"), a joint stock limited liability company incorporated in the PRC which is developing Nanjing International Center ("NIC") in Nanjing, the PRC. NIC was awarded the "China's Top 10 Landmark Architectures in 2004" by the "China's Top 10 Real Estate" Research Group set up jointly by the Development Research Center of the State Council, the Real Estate Research Center of Tsinghua University and the Index Research Center.

NIC comprises a site area of approximately 32,000 square meters and is being developed by two phases. Phase I, comprising a shopping mall, Novotel hotel, serviced apartments, luxury residential units and office premises with a total gross floor area of approximately 227,000 square meters, is expected to be completed by 2006. The superstructure work of Phase I was completed in August 2005. The pre-sale/lease of Phase I have just begun in November 2005. Phase II is scheduled to start the foundation work in 2006 with an expected total gross floor area of approximately 218,000 square meters, comprising Westin hotel, serviced apartments and office premises.

Financial services

Rongzhong Group Limited ("Rongzhong")

In July 2005, the Group acquired further 11 shares in Rongzhong with a total 51% equity interest as at 30 September 2005. The Group has advanced to Rongzhong shareholder's loans in the amount of equivalent to approximately HK$57,385,000 as part of the working capital for its loan guarantee business in the PRC.

At present, Rongzhong and its subsidiaries (the "Rongzhong Group") carry on businesses in seven cities in the PRC, including Chengsha, Chengdu, Chongqing, Wuhan, Guangzhou, Nanjing and Hangzhou, principally engaging in the provision of loan guarantee services for individuals in relation to seven major types of activities: (1) consumables; (2) educational funds; (3) residential renovations; (4) travels and wedding; (5) motor vehicles; (6) properties; and (7) sole proprietorship. For the period ended 30 September 2005, the Group shared a loss of approximately HK$7,976,000 due to the preliminary stage of Rongzhong Group reorganization after the Group's participation.

After joining the WTO, the monetary system in the PRC is gradually opening to multinational banks and financial institutions, individual consumer finance is expected to increase dramatically under the rapid economic growth of the PRC. Leveraging on the existing setups, Rongzhong Group is considering to diversify from its guarantee business in coalition with the banks to other areas of individual consumer finance, such as credit cards and secured borrowings. The Directors believe that investment in Rongzhong would be a long term strategic move for the Group. With Rongzhong's expertise and establishments in the PRC, the Directors believe that the investment will allow the Group to venture into the individual consumer finance market with promising prospect.

Goldbond Capital Holdings Limited ("Goldbond Capital")

As at 30 September 2005, the Group had a 20% equity interest in Goldbond Capital. The Group shared a loss of approximately HK$1,601,000 during the period under review. 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 and asset management.

The Directors consider that the economic growth 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. In October 2005, Goldbond Capital completed the initial public offering of shares in Global Flex Holdings Limited and Addchance Holdings Limited, raised an aggregate amount of approximately HK$420 million. Goldbond Capital also acted as underwriter for other private fund raising exercises, highlighted by the HK$386 million convertible bond placement of Shanghai Real Estate Limited in September 2005 and the H-share placement of Shandong Weigao Group Medical Polymer Company Limited in November 2005 which raised approximately HK$71 million. The Directors are of the view that Goldbond Capital possesses experienced and competent personnel in the financial industry and will contribute to the Group in the future.

Future plan

In view of the recent growth in the economy of Hong Kong and the PRC, the Group takes opportunity to focus upon and expand its strategic business developments in property and finance industries with proactive approach. The Group shall seek for new potential investments and on the other hand, maintain effective cost control measures to maximize the shareholders' return.

FINANCIAL REVIEW

Liquidity and capital resources

As at 30 September 2005, the Group had secured bank borrowings of HK$171,367,000 (31 March 2005: HK$177,992,000) which bear interest with reference to HIBOR (Hong Kong Interbank Offered Rate) or the best lending rate offered by the Group's principal bank and will be repayable by instalments till 2013. The Group has unsecured banking facility of HK$66,000,000 (31 March 2005: HK$66,000,000) granted by a bank in Hong Kong which was previously secured by the pledged deposits of approximately US$2,563,000 plus its interest thereupon. Such pledged deposits were released by the bank during the period. The unsecured banking facility was utilized up to HK$17,000,000 as at 30 September 2005 (31 March 2005: HK$nil). As at 30 September 2005, the Group had amounts due to a related company in the principal amount of HK$20,000,000 and RMB5,000,000 respectively (31 March 2005: HK$nil), which bear interest with reference to the best lending rates offered by the Group's principal banks, and are unsecured and repayable in 2006. Besides, the Group also had amounts due to minority shareholders in the principal amount of RMB15,000,000 and HK$3,000,000 respectively (31 March 2005: HK$nil), which bear interest with reference to the best lending rates offered by the Group's principal banks, and are unsecured and repayable in 2006 and 2007 respectively. At present, the Group has not used any derivative to hedge against the interest rate risk exposure.

The Group had maintained adequate liquidity cash and bank balances of HK$70,133,000 (31 March 2005: HK$13,314,000). The gearing ratio as at 30 September 2005, measured as total liabilities to total assets, was 49.90% (31 March 2005 restated: 49.09%).

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

Charges on the Group's assets

As at 30 September 2005, the banking facilities granted to the Group were secured by:

(i) a legal charge over investment properties with an aggregate carrying value of HK$436,700,000 (31 March 2005: HK$415,000,000);

(ii) an assignment of the rental income derived therefrom; and

(iii) a share charge of a subsidiary, Perfect Manor Limited, together with the subordination of the Company's loans to Perfect Manor Limited.

As at 30 September 2005, the guarantee facilities granted by various banks to Rongzhong were secured by security deposits in an aggregate of approximately HK$11,708,000.

As at 30 September 2005, the banking facilities granted to the Group's jointly controlled entity were secured by:

(i) the Group's 25% equity interest in the jointly controlled entity, Nanjing City Plaza Construction Co., Ltd; and

(ii) the assignment of dividends, profits and other monies derived therefrom.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2005, the Group's total number of staff was approximately 711 in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices according to the general framework of the Group's remuneration system. The Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 30 September 2005, the Directors and chief executive of the company ("Chief Executive") and their respective associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

Interests in ordinary shares of HK$0.1 each (the "Shares")/underlying Shares of the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Number of underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Interest in controlled corporation	497,232,000 *(Note 1 on page 38)*	–	–	29.91%
	Beneficial owner	–	16,000,000 *(Note 1)*	–	0.96%
	Interest of spouse	–	–	411,764,705 *(Note 3 on page 38)*	17.85% *(Note 7 on page 38)*
Mr. Kee Wah Sze ("Mr. Kee")	Interest in controlled corporation	405,889,643 *(Note 2)*	–	–	24.42%
	Beneficial owner	–	16,000,000 *(Note 1)*	–	0.96%
	Interest in controlled corporation	–	–	232,558,140 *(Note 5 on page 38)*	10.08% *(Note 7 on page 38)*
Mr. Lan Ning ("Mr. Lan")	Beneficial owner	–	16,000,000 *(Note 1)*	–	0.96%
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	2,600,000	–	–	0.16%
	Beneficial owner	–	16,000,000 *(Note 1)*	–	0.96%
Mr. Ip Yin Wah ("Mr. Ip")	Beneficial owner	–	1,600,000 *(Note 3)*	–	0.096%
Mr. Ma Ho Fai JP ("Mr. Ma")	Beneficial owner	–	1,600,000 *(Note 3)*	–	0.096%
Mr. Melvin Jitsumi Shiraki ("Mr. Shiraki")	Beneficial owner	2,100,000	–	–	0.13%
	Beneficial owner	–	1,600,000 *(Note 3)*	–	0.096%

Interests in ordinary shares of HK$1.0 each of the associated corporation, namely, Goldbond Capital Holdings Limited

Name of Director	Capacity	Number of shares	Approximate percentage
Mr. Kee	Interest in controlled corporation	69,375,000	46.25%

Notes:

1. On 8 November 2004, each of Messrs. Wong, Kee, Ding and Lan was 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 per Share during the period from 1 January 2007 to 7 November 2014.

2. 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).

3. On 29 July 2005, each of Messrs. Ip, Ma and Shiraki was granted 1,600,000 options under the share option scheme of the Company to subscribe for 1,600,000 Shares, exercisable at a price of HK$0.132 per Share during the period from 1 January 2007 to 28 July 2015.

All the interests stated above represent long positions.

Save for those disclosed above, at 30 September 2005, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive or any its associated corporations 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and the Chief Executive (including their spouses and children under the age of 18) had, at 30 September 2005, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 30 September 2005, the interests in Shares of the Company of every person (other than the Directors and Chief Executive) as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Number of 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 Fang Pik Chun ("Mrs. Wong")	Interest in controlled corporation	497,232,000 *(Note 1)*	–	–	29.91%
	Interest of spouse	–	16,000,000 *(Note 2)*	–	0.96%
	Interest in 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)*
Golden Cloud Holdings Group Limited	Interest in controlled corporation	–	–	411,764,705 *(Note 3)*	17.85% *(Note 7)*
Mr. Wong Yu Hung, Davy	Interest in controlled corporation	–	–	411,764,705 *(Note 3)*	17.85% *(Note 7)*
Goldbond Capital Investment Holdings Limited	Beneficial owner	–	–	232,558,140 *(Note 5)*	10.08% *(Note 7)*
Legend (Asia Pacific) Investment Limited	Interest in controlled corporation	–	–	232,558,140 *(Note 5)*	10.08% *(Note 7)*
Grace Honour Limited	Interest in controlled corporation	–	–	232,558,140 *(Note 5)*	10.08% *(Note 7)*

Notes:

1. These Shares were held by Allied Luck Trading Limited which in turn owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong, the spouse of Mr. Wong. As such, each of Mr. and Mrs. Wong was respectively taken to have an interest in such Shares by virtue of their respective shareholding interests in Allied Luck Trading Limited.

2. As disclosed in note 1 on page 36 of this report, each of Messrs. Wong and Kee was 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 (the spouse of Mr. Kee) was respectively taken to have such interest in the underlying Shares under the provisions of the SFO.

3. These underlying Shares of a convertible note issued by the Company were owned by Wah Link Investments Limited and it 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 under the provisions of the SFO.

4. As disclosed in note 2 on page 36 of this report, these Shares were owned by Mr. Kee. By virtue of the SFO, Mrs. Kee was deemed to be interested in such Shares.

5. These underlying Shares of a convertible note issued by the Company were owned by Goldbond Capital Investment Holdings Limited and it 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.

6. Ace Solomon Investments Limited is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong.

7. 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).

All the interests stated above represent long positions.

Save for those disclosed above, at 30 September 2005, the Company had not been notified of any persons who had interests or short position in Shares and underlying Shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 18 September 2002 (the "Scheme") with amendments made on 29 August 2003 to give clarity to the Scheme. The key terms of the Scheme had been summarized in our 2005 Annual Report published in July this year.

Details of the movements in the number of share options under the Scheme during the six months ended 30 September 2005 (the "Period") were as follows:

				Number of share options				
Grantee	**Date of grant**	**Exercise price** *(HK$)*	**Exercisable period**	**Outstanding at 31 March 2005**	**Granted during the Period**	**Exercised during the Period**	**Lapsed during the Period**	**Outstanding at 30 September 2005** *(note vi)*
Executive directors								
– Mr. Wong	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	16,000,000
– Mr. Kee	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	16,000,000
– Mr. Lan	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	16,000,000
– Mr. Ding *(note i)*	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	16,000,000
– Mr. Ko Po Ming *(note ii)*	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	16,000,000
– Ms. Loh Jiah Yee, Katherine *(note iii)*	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	(16,000,000)	–
Independent non-executive directors								
– Mr. Ip	29 July 2005	0.132 *(note iv)*	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	1,600,000
– Mr. Ma	29 July 2005	0.132 *(note iv)*	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	1,600,000
– Mr. Shiraki	29 July 2005	0.132 *(note iv)*	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	1,600,000
Other eligible employees, in aggregate	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	35,000,000	–	–	(2,000,000)	33,000,000
	30 May 2005	0.136 *(note v)*	1 Jan 2007 – 29 May 2015	–	16,000,000	–	–	16,000,000
				131,000,000	20,800,000	–	(18,000,000)	133,800,000

Notes:

(i) Mr. Ding has been appointed as director since 1 June 2005;

(ii) Mr. Ko Po Ming retired on 1 September 2005 but remained eligible employee under the Scheme at 30 September 2005;

(iii) Ms. Loh Jiah Yee, Katherine resigned and ceased to be eligible employee during the Period. Therefore, her share options lapsed accordingly;

(iv) The closing price immediately before the date of grant was HK$0.132;

(v) The closing price immediately before the date of grant was HK$0.138; and

(vi) All options are to be vested on 1 January 2007.

CONTINUING DISCLOSURE REQUIREMENTS

(A) Pursuant to rule 13.20 of the Listing Rules, the following information, at 30 September 2005, is hereby included:

Name of the entity	Attributable interest held by the Group	Advances/ Guarantee given *HK$'000*	Interest rate p.a.	Collateral	Repayment term
Jointly controlled entities					
Nanjing City Plaza Construction Co., Ltd ("NCP") *(note i)*	25%	11,167	2% above prime rate *(note iv)*	Unsecured	31 December 2005
NCP *(note ii)*	25%	29,250	–	–	–
Nanjing International Group Ltd ("NIG") *(note iii)*	16.74%	23,922	–	–	–
		64,339			

Notes:

(i) The advance was used for the purpose of subscribing new shares in NIG in February 2004.

(ii) The Company provided a guarantee to NCP in June 2004 amounted to US$3,750,000 (equivalent to approximately HK$29,250,000) for a banking facility of US$15,000,000. Such facility had been fully utilized at 30 September 2005.

(iii) As one of the conditions precedent for a lending bank to grant a loan facility to NIG, the Company took on funding undertakings and buy-back undertakings in May 2005 in an aggregate amount of up to RMB24,879,000 (equivalent to approximately HK$23,922,000). Details of the undertaking are set out in the Company's circular dated 14 June 2005. Such facility had been fully utilized at 30 September 2005.

(iv) Prime rate represents the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.

(B) Pursuant to rule 13.22 of the Listing Rules, a proforma combined balance sheet of affiliated companies at 30 September 2005 is hereby presented as below:

Assets and liabilities	*HK$'000*
Non-current assets	309,973
Current assets	1,350,805
Current liabilities	(379,193)
Non-current liabilities	(776,094)
Minority interests	(253,267)
Net assets	252,224
Group's proforma attributable interest	63,056

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 shares.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the Period except for the deviations as mentioned below:

(A) code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. At present, Mr. Wong Yu Lung, Charles currently assumes the roles of deputy chairman and chief executive officer of the Company. The Board is considering an appropriate appointment of a chairman of the Company; and

(B) code provision A.4.2 of the CG Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The relevant provisions of the Company's Articles of Association will be reviewed and amendments will be proposed, if any, in the next annual general meeting to ensure compliance with this code provision.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code for securities transactions by Directors. Based on specific enquiry of the Directors, they have complied with the required standard set out in the Model Code during the Period.

The Company has adopted written guidelines on no less exacting terms than the Model Code for relevant employees (as defined under the CG Code) of their dealings in the securities of the Company during the Period.

AUDIT COMMITTEE

The audit committee has met twice during the Period and reviewed the accounting principles and practices adopted by the Group and also discussed auditing, internal control and financial reporting matters including review of the unaudited consolidated interim results for the Period of the Group with the management and the auditors of the Company, KPMG. The terms of reference of the audit committee were modified in March 2005 to incorporate certain provisions of the CG Code and have been included on the Company's website.

REMUNERATION COMMITTEE

Pursuant to the CG Code, the Company has established a remuneration committee since March 2005 and its terms of reference have been included on the Company's website. The committee comprised two independent non-executive directors, namely Mr. Ip and Mr. Ma and one executive director, Mr. Kee.

On Behalf of the Board
Wong Yu Lung, Charles
Chief Executive Officer

Hong Kong, 15 December 2005