



PREMIUM LAND LIMITED

INTERIM REPORT
2005/2006

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Dong Bo, Frederic (*Chairman*)
Cheung Yu Shum, Jenkin

Independent Non-executive Directors:

Shum Ka Hei
Zuo Guang
Pang Haiou

COMPANY SECRETARY

Lo Kwok Hung, John

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Wing Hang Bank, Limited

SOLICITORS

Hong Kong:

Preston Gates & Ellis
35/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Bermuda:

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 2203, 22/F, Sino Plaza
255-257 Gloucester Road
Causeway Bay
Hong Kong

PRINCIPAL REGISTRARS

Butterfield Fund Services (Bermuda) Limited
Rosebank Center
11 Bermudian Road
Pembroke
Bermuda

BRANCH REGISTRARS IN HONG KONG

Secretaries Limited
Ground Floor, BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

INTERIM RESULTS

The board of directors (the “Board”) of Premium Land Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (hereinafter the “Group”) for the six months ended 30th September, 2005 together with the comparative figures for the corresponding period in 2004. The unaudited results have not been reviewed by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September,	
		2005	2004
		(Unaudited)	(Unaudited)
		(Restated)	
	NOTES	HK\$'000	HK\$'000
Turnover	3	22,758	52,217
Cost of sales		(23,891)	(51,829)
		<hr/>	<hr/>
		(1,133)	388
Other operating income		325	170
Administrative expenses		(9,940)	(32,841)
Finance costs		(4,775)	(2,272)
Share of results of associates		–	5
		<hr/>	<hr/>
LOSS BEFORE TAX	4	(15,523)	(34,550)
Tax	5	–	–
		<hr/>	<hr/>
LOSS FOR THE PERIOD		<u>(15,523)</u>	<u>(34,550)</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(14,582)	(34,580)
Minority interest		(941)	30
		<hr/>	<hr/>
		<u>(15,523)</u>	<u>(34,550)</u>
LOSS PER SHARE	6		
Basic		<u>(4.23) cents</u>	<u>(0.77) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30th September, 2005 (Unaudited) HK\$ '000	31st March, 2005 (Audited) HK\$ '000
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment		66,882	67,459
Investment properties	7	16,118	23,118
Interest in associates		6,151	6,151
Investment in securities	8	–	57,860
Available-for-sale investments	8	56,360	–
		<u>145,511</u>	<u>154,588</u>
CURRENT ASSETS			
Inventories		4,292	4,516
Trade and other receivables	9	187,189	134,328
Investment in securities	8	–	76,094
Available-for-sale investments	8	63,363	–
Pledged bank deposit		5,088	5,041
Bank balances and cash		10,798	48,617
		<u>270,730</u>	<u>268,596</u>
CURRENT LIABILITIES			
Trade and other payables	10	87,939	84,708
Amount due to minority shareholders of subsidiaries		288	605
Convertible notes	11	5,246	–
Bank and other borrowings		96,893	104,491
		<u>190,366</u>	<u>189,804</u>
NET CURRENT ASSETS		<u>80,364</u>	<u>78,792</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>225,875</u>	<u>233,380</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings		–	2,337
		<u>225,875</u>	<u>231,043</u>
CAPITAL AND RESERVES			
Share capital	13	3,512	64,937
Reserves		212,349	155,151
Equity attributable to equity holders of the Company		<u>215,861</u>	<u>220,088</u>
Minority interests		<u>10,014</u>	<u>10,955</u>
		<u>225,875</u>	<u>231,043</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2005

	Attributable to equity holders of the Company											
	Share capital HK\$'000 (note 13)	Share premium HK\$'000	Capital redemption reserve HK\$'000	Equity component of convertible notes HK\$'000	Investment property revaluation reserve HK\$'000	Net unrealised gains reserve HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 2004												
As previously reported	45,114	435,004	13,878	-	1,385	-	78,176	684,966	(967,747)	290,776	103,779	394,555
Prior period adjustment arising from changes in accounting policies – HKAS 40	-	-	-	-	(1,385)	-	-	-	1,385	-	-	-
As restated	45,114	435,004	13,878	-	-	-	78,176	684,966	(966,362)	290,776	103,779	394,555
Issue of new shares	-	-	-	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	(34,580)	(34,580)	30	(34,550)
At 30th September, 2004	45,114	435,004	13,878	-	-	-	78,176	684,966	(1,000,942)	256,196	103,809	360,005
At 1st April, 2005												
As previously reported	64,937	465,334	13,878	-	1,385	-	78,176	684,966	(1,088,588)	220,088	10,955	231,043
Prior period adjustment arising from changes in accounting policies – HKAS 40	-	-	-	-	(1,385)	-	-	-	1,385	-	-	-
As restated	64,937	465,334	13,878	-	-	-	78,176	684,966	(1,087,203)	220,088	10,955	231,043
Conversion of												
Convertible bonds	-	-	-	52	-	-	-	-	-	52	-	52
Share consolidation	(61,690)	-	-	-	-	-	-	-	61,690	-	-	-
Issue of new shares	265	15,635	-	-	-	-	-	-	-	15,900	-	15,900
Change in fair value of investments in securities	-	-	-	-	-	(5,597)	-	-	-	(5,597)	-	(5,597)
Net loss for the period	-	-	-	-	-	-	-	-	(14,582)	(14,582)	(941)	(15,523)
At 30th September, 2005	3,512	480,969	13,878	52	-	(5,597)	78,176	684,966	(1,040,095)	215,861	10,014	225,875

(note 13)

The contributed surplus of the Group represents the cancellation of an amount of approximately HK\$48,000,000 from the share premium account of the Company and the credit of an amount of approximately HK\$610,247,000 of the Company's share capital cancelled in 2002 and the contribution of approximately HK\$26,719,000 from placing of warrants in 2002 that were expired in 2003.

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of share capital of its subsidiaries acquired at the date of a previous group reorganisation.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(50,618)	(33,996)
NET CASH FROM INVESTING ACTIVITIES	3,178	2,606
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	9,621	(1,244)
DECREASE IN CASH AND CASH EQUIVALENTS	(37,819)	(32,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	48,617	60,920
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,798	28,286
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	10,798	28,286

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim 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 “Listing Rules”) and with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and under the historical cost convention except for investments in securities, which are measured at fair values.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2005 except as described below.

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

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 annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity compounds) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately, or in the case that the settlement were not at fixed number of equity instrument, the accounting standard requires the issuer to recognize the compound financial instrument in the form of financial liability with embedded derivatives. The Group has applied HKAS 32 on the convertible bonds issued by the Company in the prior and current periods. The adoption on the result for HKAS 32 has had no material effect of the current or prior period. Accordingly, no prior period adjustment has been made.

Classification and measurement of financial assets and financial liabilities

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

By 31st March, 2005, the Group classified and measured its investments in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 “Accounting for Investments in Securities” (“SSAP 24”). Under SSAP 24, the Group’s investments in equity securities are classified as “investment securities” or “other investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the income statement. From 1st January, 2005 onwards, the Group classifies and measures its investments in equity securities in accordance with HKAS 39. Under HKAS 39, the Group’s financial assets are classified as “financial assets at fair value through income statement: or available-for-sale financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through income statement” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in income statement and equity respectively.

On 1st April, 2005, the Group classified and measured its investments in equity securities in accordance with the requirements of HKAS 39. These changes have had no material effect on the previous carrying amounts of assets and liabilities at 1st April, 2005.

Investment property

In the current period, the Group has, for the first time, applied HKAS 40 “Investment Property”. The Group has elected to use the fair value model to account for its investment property which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. In previous periods, investment property under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease has previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April, 2005 onwards. The effect of the above changes are summarised in note 2 to the condensed consolidated financial statements.

Deferred Taxes related to Investment Property

In previous periods, deferred tax consequences in respect of revalued investment property were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the property through sale in accordance with the predecessor interpretation. In the current period, the Group has applied HKAS Interpretation 21 “Income Taxes - Recovery of Revalued Non-Depreciable Assets” which removes the presumption that the carrying amount of investment property is to be recovered through sale. Therefore, the deferred tax consequences of the investment property are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. The adoption of HKAS Interpretation 21 has had no material effect on the results for the current or prior accounting period. Accordingly no prior period adjustment has been made.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 1 on the results of the Group for the current and prior period are as follows:

	Six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revaluation reserve of investment properties – HKAS 40	–	1,385
Decrease in loss for the period	–	1,385

An analysis of increase in (loss) profit for the period by line items presented according to their function:

	Six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in income tax expense	–	4
Decrease in share of result of associates	–	(4)
Decrease in loss for the period	–	–

3. SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's primary segments.

	Turnover Six months ended 30th September,		Segment results Six months ended 30th September,	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Business segment				
Securities trading and investment	16,748	33,153	(2,644)	(7,326)
Property development and sales	–	–	(437)	–
Trading of building materials and renovations services	5,988	13,322	(1,023)	(479)
Operation of toll highway	–	5,737	–	50
Property rental	22	5	21	1
	<u>22,758</u>	<u>52,217</u>	<u>(4,083)</u>	<u>(7,754)</u>
Other operating income			325	170
Unallocated corporate expenses			(6,990)	(24,699)
Loss from operations			<u>(10,748)</u>	<u>(32,283)</u>

Due to the absence of the management accounts of the operation of toll highway, the turnover and results of which during the period under review were not recognised.

4. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	Six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	297	2,242
Interest income	(325)	(16)
Unrealised holding gain on investments in securities	–	(5,576)
Loss on disposal of a subsidiary	1,985	–
Gain on disposal of property, plant and equipment	–	(382)
	<hr/>	<hr/>

5. TAX

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies comprising the Group incurred tax losses for the six month periods ended 30th September, 2004 and 2005, respectively.

Pursuant to relevant laws and regulations in the People's Republic of China, other than Hong Kong (the "PRC"), one of the Group's PRC subsidiaries is entitled to an exemption from PRC income tax for the two years starting from their first profit making year, followed by a 50% tax reduction for the next three years. No provision for PRC income tax has been made for the year as the Group's PRC subsidiaries were still within the PRC income tax exemption period during the year or they have not had any assessable profit.

Details of the recognised and unrecognised deferred taxation for the period are set out in note 12.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the six months ended 30th September, 2005 of HK\$14,582,000 (six months ended 30th September, 2004: HK\$34,580,000) and on the weighted average number of 344,342,891 shares (30th September, 2004: 4,511,445,970 shares) in issue during the period.

No diluted loss per share is presented for the period ended 30th September, 2005 as the conversion of convertible notes during the period would result in a decrease in loss per share.

7. MOVEMENT IN INVESTMENT PROPERTIES

The directors consider that the values of the Group's investment properties as at 30th September, 2005 would not differ materially from the professional valuation made as at 31st March, 2005 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

During the period, the Group disposed the investment properties amounted to HK\$7 million.

8. INVESTMENTS IN SECURITIES / AVAILABLE-FOR-SALE INVESTMENTS

	30th September, 2005 <i>HK\$'000</i>	31st March, 2005 <i>HK\$'000</i>
Listed equity investments, at fair value:		
Hong Kong	56,000	67,344
Elsewhere	7,363	8,750
	<hr/> 63,363	<hr/> 76,094
Unlisted debt securities outside Hong Kong, at cost:	<hr/> –	<hr/> 1,500
Unlisted equity investments, at fair value	<hr/> 56,360	<hr/> 56,360
	<hr/> 119,723	<hr/> 133,954

Available-for-sale investments consist of investments in listed and unlisted ordinary shares and debt securities, and therefore have no fixed maturity date or coupon rate.

Loss on fair values of listed equity investments of approximately HK\$5,597,000 were recognised in the net unrealised gains reserve during the period.

9. TRADE RECEIVABLES

The Group allows a credit period normally ranging from 60 days to 90 days to its customers. The following is an aged analysis:

	THE GROUP 30th September, 2005 <i>HK\$'000</i>	31st March, 2005 <i>HK\$'000</i>
Trade receivables		
0 to 30 days	560	241
31 to 90 days	1,049	854
More than 90 days	1,371	4,398
	<hr/> 2,980	<hr/> 4,993
Amounts due from customers for renovation works (<i>Note</i>)	698	2
Retentions receivable	183	628
Other receivables and prepayments	183,328	128,705
	<hr/> 187,189	<hr/> 134,328

Note:

	THE GROUP	
	30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) HK\$'000
Amounts due from customers for renovation works		
Contract costs incurred plus recognized profits less recognized losses	(445)	5
<i>Less: Progress billings</i>	1,080	(39)
	<hr/>	<hr/>
	635	(34)
	<hr/>	<hr/>
Represented by:		
Due from customers included in current assets	698	2
Due to customers included in current liabilities (<i>note 10</i>)	(63)	(36)
	<hr/>	<hr/>
	635	(34)
	<hr/>	<hr/>

10. TRADE AND OTHER PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	THE GROUP	
	30th September, 2005 HK\$'000	31st March, 2005 HK\$'000
Trade payables:		
0 to 30 days	819	78
31 to 90 days	314	203
Over 90 days	1,267	1,639
	<hr/>	<hr/>
	2,400	1,920
	<hr/>	<hr/>
Amounts due to customers for contract work (<i>note 9</i>)	63	36
Retention payables	501	548
Other payables and accruals	84,975	82,204
	<hr/>	<hr/>
	87,939	84,708
	<hr/>	<hr/>

11. CONVERTIBLE NOTES

On 6th January, 2005, the Company entered into a placing agreement with independent third parties for the placing of convertible notes with an aggregate principal amount of HK\$31.2 million, convertible into shares of the Company at an initial conversion price of HK\$0.03 each (HK\$0.6 each adjusted by the share consolidation on 7th April, 2005). These convertible notes were issued on 19th May, 2005 bearing an interest of 3% per annum and redeemable in six months from the date of issue, of which HK\$25,902,000 convertible notes were redeemed, and the remaining HK\$5,298,000 convertible notes are outstanding and convertible into a total of 8,830,000 shares of the Company upon full conversion.

The fair value of the liability component of the convertible notes was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 5% and is carried as a short term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders equity.

The movement of the interest bearing redeemable convertible notes is as follows:

	THE GROUP	
	30th September, 2005	31st March, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Nominal value of convertible notes issued	31,200	32,400
<i>Less: equity component</i>	<u>(304)</u>	<u>(316)</u>
Convertible notes issued	30,896	32,084
Conversion during the period	–	(32,084)
Redeemed during the period	<u>(25,650)</u>	<u>–</u>
	<u>5,246</u>	<u>–</u>

12. DEFERRED TAX

At 30th September, 2005, the Group has unused tax losses of HK\$478,770,000 (31st March, 2005: HK\$458,589,000) available for offset against future profits. Included in unrecognized tax losses are losses of HK\$27,757,000 (31st March, 2005: HK\$27,757,000) that will be expired in five years.

At 30th September, 2005, the Group has other deductible temporary differences of HK\$115,058,000 (31st March, 2005: HK\$115,058,000) in respect of allowance and impairment losses recognised. No deferred asset has been recognised in relation to such deductible temporary difference as it is not probable that taxation profit will be available against which the deductible temporary differences can be utilised.

13. SHARE CAPITAL

	30th September, 2005 HK\$'000	31st March, 2005 HK\$'000
AUTHORISED:		
15,000,000,000 ordinary shares of HK\$0.01 each	150,000	150,000
ISSUED AND FULLY PAID:		
351,186,298 (31st March, 2005: 6,493,725,970) ordinary share of HK\$0.01 each	3,512	64,937

On 7th April, 2005, every twenty (20) issued shares of the Company are consolidated into one (1) consolidated share. Accordingly, the issued share capital of the Company was reduced from an amount of approximately HK\$61,690,000 to approximately HK\$3,247,000 represented by 324,686,298 consolidated shares.

On 6th January, 2005, a share subscription agreement was entered into between the Company and an independent investor under which the investor subscribed for 530,000,000 new shares of HK\$0.01 each of the Company at a price of HK\$0.03 per share. The issued price of HK\$0.03 represented a discount of approximately 9.09% to the average closing price of HK\$0.033 per share as quoted on the Stock Exchange from 19th November, 2004 to 14th December, 2004, both dates inclusive. The subscription was completed on 18th May, 2005 and 26,500,000 new shares of HK\$0.01 each of the Company at a price of HK\$0.60 per share were issued since share consolidation was carried on 7th April, 2005. The net proceeds of approximately HK\$15.9 million were used for the working capital of the Group.

All the ordinary shares issued during the period rank pari passu with the then existing ordinary shares in all respects.

14. CAPITAL COMMITMENTS

At 30th September, 2005 and 31st March, 2005, the Group had no significant capital commitment.

15. CONTINGENT LIABILITIES

At 30th September, 2005, the Company had given corporate guarantees to bank and a securities broker in respect of credit facilities by the subsidiaries to an extend of approximately HK\$7,650,000 (31st March, 2005: HK\$7,650,000).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2005

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30th September, 2005 (2004: Nil)

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and renovations services and operation of toll highway.

For the six months ended 30th September, 2005, the Group recorded a consolidated turnover of approximately HK\$22.8 million, representing a 56% decrease as compared to HK\$52.2 million of last corresponding period. The decrease was mainly due to the decrease in securities trading and investment from HK\$33.2 million in last corresponding period to HK\$16.7 million for the period under review, and the decrease in trading of building materials and renovations services from HK\$13.3 million in last corresponding period to HK\$6 million for the period under review. Due to the absence of the management accounts of the operation of toll highway, the turnover and result of which during the period under review were not recognised, and a litigation is proceeding to rectify the forged transfer and regain control over the company's subsidiary in operating the toll highway. The loss attributable to shareholders amounted to HK\$15.5 million for the six months ended 30th September, 2005 compared to approximately HK\$34.5 million for the corresponding period in the prior year.

The investment market was challenging during the period under review; the higher oil prices and interest rates affected both the property and securities markets, and given the erratic market sentiment, the Board was conservative in investment strategies. The business in trading of building materials and renovation services was affected by intensified competition driving the profit margin on a downward spiral.

The Group will continue its efforts to improve the business and productivity and will actively look for suitable investments to enhance the Group's earnings potential and assets base with focus on mid-to-long term property investments in China. China's economy sustains steady growth, real GDP growth recorded a respectable 9.5% year-on-year for the second quarter of 2005. With the impending 2008 Olympics and the 2010 World Expo, the Board anticipates significant growth on the property market in China especially the commercial property market in major cities.

CAPITAL INVESTMENT AND COMMITMENTS

The Group did not incur or commit any material investment or capital expenditure during the period under review.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's financial resources were mainly from cash income generated by its business operations as well as bank and other borrowings. As at 30th September, 2005, the Group had cash and bank balance of approximately HK\$10.8 million (03/2005: HK\$48.6 million), and total borrowings of the Group amounted to HK\$102.1 million (03/2005: HK\$106.8 million). The borrowings including the HK\$5.2 million convertible notes are all due within 1 year. The gearing ratio, with total borrowings over total tangible assets, at 30th September, 2005 was about 24.5% (03/2005: 25.2%).

PLEDGE OF ASSETS

As at 30th September, 2005, the Company had pledged HK\$5 million to a bank as pledged deposit in respect of a credit facility granted to subsidiaries.

LITIGATION

On 4th July, 2005, the Company was notified by the Hong Kong Companies Registry that the annual return of Gold United International industries Limited ("Gold United"), a non-wholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including members and directors of Gold United, which are incorrect and significantly different from the original annual return that are presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a writ against certain persons (the "Defendants") seeking, amongst others, declarations by the court to effect what Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were the people, which purportedly filed the false information to the Hong Kong Companies Registry and/or identified as members and directors in the May Annual Return. Gold United is an investments holding company, which has an 80% direct interest in 杭州恒運交通開發公司, which is engaged in the operation of a highway in the PRC.

As at 30th September, 2005, the legal action is still proceeding, and there is no significant development.

EXCHANGE EXPOSURE

The Group's transactions are denominated in Hong Kong dollars and Renminbi and the related exchange rates are considered relative stable, and accordingly, the exposure to fluctuations in exchange rate is minimal, and no foreign exchange and interest rate risk management or related hedges were made.

EMPLOYEE

As at 30th September, 2005 the total number of employees of the Group was approximately 148 employees, inclusive of its operation in the PRC and Hong Kong. Remuneration were reviewed periodically in accordance with market situations and the performance of individual staff. Share options may be granted as recognition of their contribution and incentive to motivate them.

DIRECTOR'S INTERESTS AND SHORT POSITION IN SECURITIES

At 30th September, 2005, the interest and short positions of the directors and the chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(I) Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Dong Bo, Frederic	Held by controlled corporation	51,523,417	14.67%
Cheung Yu Shum, Jenkin	Held by controlled corporation	21,450,000	6.11%
Wong Cho Fai, Nicholas	Held by controlled corporation	26,500,000	7.55%
		<hr/> 99,473,417	<hr/> 28.33%

Other than as disclosed above, the company has not been notified of any other relevant interests or short position in the issued share capital and underlying shares of the Company or any associated corporation as at 30th September, 2005.

(II) SHARE OPTIONS

The Company adopted a share option scheme on 24th April, 2002 (the "2002 scheme") with expiry date on 23rd April, 2012, for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the 2002 scheme, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries and consultants to subscribe for shares in the Company.

The Company has no outstanding share options, and during the period under review the Company did not grant any share option.

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the section headed "DIRECTORS' INTERESTS AND SHORT POSITION IN SECURITIES", at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2005, the register of substantial shareholders maintained by the Company pursuant to section 336 of the Securities and Future Ordinance show that, the following shareholders had notified the Company of relevant interest and short positions in the issued share capital of the company.

Long position in ordinary shares of the Company:

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
United Jumbo Limited	Beneficial owner	51,523,417	14.67%
Dong Bo, Frederic	Held by controlled corporation	51,523,417	14.67%
Lam Kwan Sing	Held by controlled corporation	54,000,000 (Note 1)	15.38%
Peakhill Investments Limited	Beneficial owner	54,000,000 (Note 1)	15.38%
Ma Siu Fong	Held by controlled corporation	43,276,017 (Note 2)	12.32%
Chu Yuet Wah	Held by controlled corporation	43,276,017 (Note 2)	12.32%
Kingston Finance Limited	Beneficial owner	43,276,017 (Note 2)	12.32%
Cheung Yu Shum, Jenkin	Held by controlled corporation	21,450,000 (Note 3)	6.11%
Interpool Holdings Limited	Beneficial owner	21,450,000 (Note 3)	6.11%
Hu Die Fei	Beneficial owner	22,276,500	6.34%
Wong Cho Fai, Nicholas	Held by controlled corporation	26,500,000 (Note 4)	7.55%
Willplus Assets Limited	Beneficial owner	26,500,000 (Note 4)	7.55%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the company as at 30th September, 2005 as required pursuant to Section 336 of the SFO.

Notes:

1. Peakhill, which directly own 54,000,000 shares in the Company, is beneficially wholly owned by Mr. Lam Kwan Sing and, accordingly, Mr. Lam Kwan Sing is deemed to be interested in 54,000,000 shares in the Company.
2. Kingston Finance Limited ("Kingston"), which directly own 43,276,017 shares in the Company, is beneficially owned as to 51% and 49% by Ms Chu Yuet Wah and Ms. Ma Siu Fong, respectively. Accordingly, Ms. Chu Yuet Wah and Ms. Ma Siu Fong are deemed to be interest in the shares held by Kingston.
3. Interpool Holdings Limited, which directly own 21,450,000 shares in the Company, is beneficially wholly owned by Mr. Cheung Yu Shum, Jenkin and, accordingly, Mr. Cheung Yu Shum, Jenkin is deemed to be interested in 21,450,000 shares in the Company.

4. Willplus Assets Limited, which directly own 26,500,000 shares in the Company, is beneficially wholly owned by Mr. Wong Cho Fai, Nicholas and, accordingly, Mr. Wong Cho Fai, Nicholas is deemed to be interested in 26,500,000 shares in the Company.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

During the six months ended 30th September, 2005, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices ("Code") in Appendix 14 to the Listing Rules effective on 1st January, 2005, except for the following:

Code Provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a separate position for the chief executive officer, and duties of which are currently vesting on the Chairman. The Company will separate the role of the chief executive officer either by new appointment or delegate the duties to other members of the Board.

Code Provision A4.1 stipulates that non-executive directors should be appointed for special terms, subject to re-election.

The current independent non-executive directors of the Company are not appointed for a specified term but their term of office are the period up to their retirement by rotation in accordance with the Company's bye-laws. 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.

Code Provision A4.2 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.

A resolution will be proposed at the next general meeting of the Company to seek the approval of the shareholders of the Company to amend the Company's bye-laws so that all Directors appointed to fill a casual vacancy should be subject to election by the shareholders of the Company at the first general meeting after their appointment.

AUDIT COMMITTEE

The Audit Committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters in relation to the preparation of the unaudited condensed financial statements for the six months ended 30th September, 2005.

By the Order of the Board
Dong Bo, Frederic
Chairman

Hong Kong, 22nd December, 2005