



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

Stock Code : 172



Interim Report 2006/07

Board of Directors

Executive Directors

Mr. Wong Yu Lung, Charles
(Deputy Chairman and Chief Executive Officer)

Mr. Lan Ning
(Deputy Chief Executive Officer)

Mr. Ding Chung Keung, Vincent

Mr. Kee Wah Sze

Independent non-executive Directors

Mr. Ip Yin Wah

Mr. Ma Ho Fai JP

Mr. Melvin Jitsumi Shiraki

Audit Committee

Mr. Ip Yin Wah (Chairman)

Mr. Ma Ho Fai JP

Mr. Melvin Jitsumi Shiraki

Remuneration Committee

Mr. Ip Yin Wah (Chairman)

Mr. Ma Ho Fai JP

Mr. Kee Wah Sze

Secretary

Ms. Li Yu Lian, Kelly

Auditors

Deloitte Touche Tohmatsu

Registered Office

Unit 3901A, 39/F., Tower One
Lippo Centre
89 Queensway
Hong Kong

Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisers

Iu, Lai & Li
Michael Cheuk, Wong & Kee
Orrick Coudert

Principal Bankers

Citic Ka Wah Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

Website

<http://www.goldbondgroup.com>

Stock Code

0172

RESULTS AND DIVIDEND

Turnover of the Group for the six months ended 30 September 2006 was approximately HK\$26,147,000 (for the six months ended 30 September 2005: HK\$16,439,000), an increase of 59% over the same period of last year mainly due to the increase in income from consumer finance business in 2006. The increase in fair value of the Group's investment properties and the operating profit from leasing of investment properties were partly offset by the loss from consumer finance business, resulting in a profit after tax of approximately HK\$20,476,000 (for the six months ended 30 September 2005: HK\$1,486,000).

The Board did not recommend the payment of dividend in respect of the results for the six months ended 30 September 2006 (for the six months ended 30 September 2005: 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, Hong Kong

The rental income derived from Golden Plaza in Hong Kong (after outgoings) for the period under review was approximately HK\$13,888,000 (for the six months ended 30 September 2005: HK\$12,396,000), an increase of 12% over last year. Golden Plaza is a well established niche market for wedding businesses. The Group owns more than 90% in aggregate from the basement to the 3rd floor of Golden Plaza. As at 30 September 2006, more than 98% 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 2006, the market value of Golden Plaza as revalued by independent professional valuers was HK\$500,000,000.

Nanjing International Center, Nanjing

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 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 2008. As at 30 September 2006, the superstructure work and curtain wall of Phase I was completed. The foundation work of Phase II is preliminarily scheduled to commence in 2007 with an expected total gross floor area of approximately 245,000 square meters, comprising Westin hotel, serviced apartments and office premises.

Financial services

Rongzhong Group Limited ("Rongzhong")

The Group had a 51% equity interest in Rongzhong as at 30 September 2006. For the six months ended 30 September 2006, the Group shared turnover (after outgoings) from Rongzhong and its subsidiaries ("Rongzhong Group") of approximately HK\$9,163,000 and a loss of approximately HK\$8,994,000 (for the six months ended 30 September 2005: HK\$1,095,000 and HK\$14,963,000 respectively) which was due to the reorganization and relatively unambitious attitude of the PRC banks towards consumer finance business in 2005. However, the performance of loan guarantee business has been gradually improving since the third quarter of this year, the guaranteed loan size reached RMB86,961,000 in the single month of September 2006.

1. Loan guarantee

At present, Rongzhong Group carries on loan guarantee business in seven cities in the PRC, namely Chengsha, Chengdu, Chongqing, Wuhan, Guangzhou, Nanjing and Hangzhou, principally engaging in the provision of guarantee and related services for individuals in relation to the following major types of loans: (1) consumable purchase; (2) educational fund; (3) residential renovation; (4) travel and wedding; (5) mobile phones; (6) motor vehicle; (7) real estate property; and (8) sole proprietor working capital. The total guarantee amount of Rongzhong Group granted during the period under review amounted to approximately RMB244,445,000 (for the six months ended 30 September 2005: RMB111,000,000).

2. Pawn shop

Rongzhong was granted a pawn shop license in Wuhan, the PRC by the Ministry of Commerce of the PRC in January 2006. The pawn shop was opened in March 2006 and is engaged in the provision of secured consumer finance to customers. The types of collateral that are approved under 典當管理辦法 (the “Dian Dang Administration Rules”) include, but not limited to, motor vehicles, real estate properties, machines, financial instruments and jewellery etc. Under the Dian Dang Administration Rules, incomes generated from the pawn shop loans comprise of interest and handling fee. Interest income is determined with reference to the respective interest rate quoted from time to time by The People’s Bank of China and the handling fees are charged at up to 4.2% per month. Total loans granted by Wuhan pawn shop amounted to more than RMB80,000,000 during the six months ended 30 September 2006. Traditionally, loan demand from the consumer market will be even higher around the Chinese Lunar New Year.

3. Credit cards

To capitalize on the existing platform and network, Rongzhong had lined up with China Merchants Bank (“CMB”) to issue credit cards with installment loan feature from August 2006 in three of Rongzhong’s operating cities, namely: Chengdu, Wuhan and Hangzhou. Currently, it is at the trial stage for CMB and Rongzhong to get adapted to each other’s business flow, to explore co-operating merchants and to develop an information technology platform specifically for this co-operation. Depending on the results of the trial stage, Rongzhong plans to introduce a co-branded credit card with CMB in all the operating cities when the service is formally launched.

Equipped with a well-recognised brand reputation and solid business network, Rongzhong will continue to expand related consumer finance business to other mainland cities when opportunities arise.

Goldbond Capital Holdings Limited (“Goldbond Capital”)

As at 30 September 2006, the Group had a 20% equity interest in Goldbond Capital, which contributed a profit after tax of approximately HK\$147,000 during the period under review. Goldbond Capital is 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.

In light of the strengthened market confidence in Hong Kong, the introduction of QDII and the large-scaled fund raising exercise activities proposed by the PRC enterprises, the Directors take a positive attitude towards the financial market in Hong Kong and the PRC. During the period, Goldbond Capital completed the initial public offer of shares in Winbox International (Holdings) Limited. Goldbond Capital also acted as placing agent for fund raising exercises, such as placement of shares of Orient Resources Group Company Limited. The Directors are of the view that Goldbond Capital will broaden its earning base in the financial industry and will contribute to the Group in the long run.

Material acquisition

In September 2006, Rongzhong entered into an acquisition agreement (the “Acquisition Agreement”) with independent third parties. Pursuant to the Acquisition Agreement, Rongzhong shall purchase the entire equity interest in Shen Nong Jia Zhiyue Mining Company Limited (“Zhiyue”) at a consideration of RMB30,000,000. Zhiyue currently owns the exploration rights to a natural phosphorous mine located at Hubei Province, the PRC with area of approximately 8.22 square kilometers. Phosphate rock is an important commercial source of phosphorus, which is used in applications such as production of fine china, laundry detergents and most importantly, the production of phosphate fertilizers for agricultural uses. The completion of the acquisition is subject to the fulfillment or, as the case may be, waiver of all conditions precedent as set out in the Company’s announcement dated 8 September 2006.

Prospects

In view of the substantial growth in the economy of Hong Kong and the PRC, the Group shall maintain a stable growth momentum in its strategic developments in property and finance industries with proactive approach. Looking ahead, the Group shall seek for new potential investments and on the other hand, maintain effective cost control measures to enhance the shareholders’ return.

FINANCIAL REVIEW

Liquidity and capital resources

As at 30 September 2006, the Group had secured mortgage borrowings of HK\$157,793,000 (31 March 2006: HK\$164,580,000) 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 installments till 2013. The Group has other secured banking facilities of HK\$116,000,000 and RMB90,000,000 in aggregate (31 March 2006: HK\$116,000,000) granted by several banks in Hong Kong and the PRC, which were secured by the properties, pledged deposits of approximately US\$2,646,000 and RMB800,000, a floating charge over the assets of a subsidiary of the Company, corporate guarantee and certain properties of related companies. All these secured banking facilities bear interest with reference to the HIBOR and rate offered by the People's Bank of China and were utilized up to HK\$32,000,000 and RMB34,600,000 as at 30 September 2006 (31 March 2006: HK\$48,500,000).

As at 30 September 2006, the Group had amounts due to a related company in the principal amount of US\$2,500,000, HK\$23,400,000 and RMB5,000,000 respectively (31 March 2006: HK\$20,000,000 and RMB5,000,000), which bear interest with reference to the best lending rates offered by the Group's principal banks in Hong Kong and the federal reserve target rate offered by the Federal Open Market Committee of the United States of America, and are unsecured and repayable in 2006. Besides, the Group had amounts due to minority shareholders in the principal amount of RMB15,000,000 and HK\$3,000,000 respectively (31 March 2006: RMB15,000,000 and HK\$3,000,000), 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.

On 5 August 2004, the Company issued convertible notes with a nominal value of HK\$70,000,000 to a related company with a maturity date on 5 August 2007. The notes are interest free and may be converted into ordinary shares of the Company at a conversion price of HK\$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 HK\$30,000,000 to another related company with a maturity date on 5 August 2007. The notes are interest free and may be converted into ordinary shares of the Company at a conversion price of HK\$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. As at 30 September 2006, the liability component amounted to HK\$92,882,000 (31 March 2006: HK\$88,904,000).

The Group had maintained adequate liquidity with cash and bank balances of HK\$43,584,000 (31 March 2006: HK\$26,292,000). The gearing ratio as at 30 September 2006, measured as total liabilities to total assets, was 53.75% (31 March 2006 (restated): 52.59%).

The Group's transaction and monetary assets are principally denominated in Hong Kong dollars, United States dollars and Renminbi. In view of the relatively stable exchange rates of Renminbi to Hong Kong dollar and Hong Kong's linked exchange rate system, the Group's exposure to foreign exchange risk remained low.

Charges on the Group's assets

As at 30 September 2006, the bank loans and banking facilities granted to the Group were secured by:

- (i) legal charges over properties with carrying values of approximately HK\$503,553,000 (31 March 2006: HK\$454,900,000);
- (ii) an assignment of the rental income derived therefrom;
- (iii) a share charge of a subsidiary, Perfect Manor Limited, together with the subordination of the Company's loans to Perfect Manor Limited;
- (iv) floating charge over assets of Rongzhong Group Limited; and
- (v) deposits of approximately US\$2,646,000 and RMB800,000 respectively (31 March 2006: US\$2,597,000).

As at 30 September 2006, the guarantee facilities granted to the Group was secured by the security deposits in an aggregate of approximately HK\$42,798,000 (31 March 2006: HK\$18,848,000).

As at 30 September 2006, the bank loans and 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.

Contingent liabilities

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

- (i) the Group has given a guarantee of US\$3,750,000, equivalent to approximately HK\$29,250,000 (31 March 2006: US\$3,750,000, equivalent to approximately HK\$29,250,000) in respect of banking facilities granted to a jointly controlled entity, the Group also pledged its attributable equity interests in the jointly controlled entity for such banking facilities;
- (ii) the Group entered into funding, allocation and distribution agreements in respect of a bank loan of RMB148,977,000, equivalent to approximately HK\$146,056,000 (31 March 2006: RMB148,977,000, equivalent to approximately HK\$143,247,000) borrowed by a jointly controlled entity.

Pursuant to such agreements, the Group has taken on the funding undertaking 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 Group will, pursuant to the agreements, purchase the residential units in the North Tower of Phase 1 of Nanjing International Center at RMB5,000 per square meter or, if required by the bank, and arrange a refinancing facility; and

- (iii) the Group has contingent liabilities of RMB238,348,000, equivalent to approximately HK\$233,675,000 (31 March 2006: RMB142,397,000, equivalent to approximately HK\$136,920,000) in relation to the provision of the guarantee services in the PRC.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2006, the Group's total number of staff was approximately 690 in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. Other benefits offered to the employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

Condensed Consolidated Income Statement

For the six months ended 30 September 2006

	Notes	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited and restated)
Turnover	3	26,147	16,439
Direct outgoings		(3,096)	(2,948)
Other revenue		2,663	2,586
Other net (loss) gain		(838)	37
Administrative expenses		(25,985)	(15,004)
Other operating expenses		–	(10,842)
Change in fair value of investment properties		41,300	21,606
Share of profits (losses) of associates		147	(1,601)
Share of profits of jointly controlled entities		101	2,965
Finance costs		(11,941)	(7,461)
Profit before taxation	4	28,498	5,777
Income tax expense	5	(8,022)	(4,291)
Profit for the period		20,476	1,486
Earnings per share	7		
– Basic		1.23 cents	0.1 cents
– Diluted		1.04 cents	N/A

Condensed Consolidated Balance Sheet

At 30 September 2006

	Notes	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited and restated)
Non-current assets			
Investment properties	8	500,000	458,700
Plant and equipment	9	5,444	5,592
Interest in associates		35,685	35,538
Interest in jointly controlled entities	10	97,791	96,504
Club debentures		3,000	3,000
		641,920	599,334
Current assets			
Amount due from associate		8	40,260
Amount due from a jointly controlled entity		12,145	11,643
Held for trading securities		1,685	225
Properties held for sale		7,853	7,634
Debtors, advances provided to customers, prepayments and deposits	11	54,196	29,577
Security deposits	12	42,798	18,848
Pledged deposits		21,427	20,261
Bank balances and cash		43,584	26,292
		183,696	154,740
Current liabilities			
Loans from a related company		47,565	26,302
Amounts due to minority shareholders		19,984	15,740
Other payables and accruals		32,262	29,261
Taxation		1,191	848
Bank borrowings	13	64,496	62,074
Convertible notes	14	92,882	–
Financial guarantee contracts	16	61	306
		258,441	134,531
Net current (liabilities) assets		(74,745)	20,209
Total assets less current liabilities		567,175	619,543
Capital and reserves			
Share capital		166,244	166,244
Reserves		215,581	191,270
Equity attributable to equity holders of the Company		381,825	357,514
Non-current liabilities			
Bank borrowings	13	159,218	151,006
Convertible notes	14	–	88,904
Redeemable convertible preference shares	15	1,280	1,194
Deferred taxation		24,228	17,000
Amounts due to minority shareholders		–	3,194
Financial guarantee contracts	16	624	731
		185,350	262,029
		567,175	619,543

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2006

	Attributable to equity holders of the Company								
	Share capital	Share premium	Revaluation reserve	Employee share-based compensation reserve	Convertible notes reserve	General reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	166,244	97,713	3,000	852	22,297	6,000	–	53,742	349,848
Exchange differences on translation of operations outside Hong Kong recognised directly in equity	–	–	–	–	–	–	1,696	–	1,696
Profit for the year	–	–	–	–	–	–	–	3,861	3,861
Total recognised income and expense for the year	–	–	–	–	–	–	1,696	3,861	5,557
Recognition of equity-settled share-based payments	–	–	–	2,109	–	–	–	–	2,109
At 31 March 2006 and 1 April 2006	166,244	97,713	3,000	2,961	22,297	6,000	1,696	57,603	357,514
Exchange differences on translation of operations outside Hong Kong recognised directly in equity	–	–	–	–	–	–	2,543	–	2,543
Profit for the period	–	–	–	–	–	–	–	20,476	20,476
Total recognised income and expense for the period	–	–	–	–	–	–	2,543	20,476	23,019
Recognition of equity-settled share-based payments	–	–	–	1,292	–	–	–	–	1,292
At 30 September 2006	166,244	97,713	3,000	4,253	22,297	6,000	4,239	78,079	381,825
At 1 April 2005	166,244	97,713	3,000	852	22,297	6,000	–	53,742	349,848
Exchange differences on translation of operations outside Hong Kong recognised directly in equity	–	–	–	–	–	–	1,696	–	1,696
Profit for the period	–	–	–	–	–	–	–	1,486	1,486
Total recognised income and expense for the period	–	–	–	–	–	–	1,696	1,486	3,182
Recognition of equity-settled share-based payments	–	–	–	1,014	–	–	–	–	1,014
At 30 September 2005	166,244	97,713	3,000	1,866	22,297	6,000	1,696	55,228	354,044

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)
Net cash used in operating activities	(44,624)	(6,055)
Net cash from investing activities		
Proceeds from loan to a jointly controlled entity	–	29,905
Repayment of loan to associate	40,360	–
Other investing activities	(1,710)	(14,554)
	38,650	15,351
Net cash generated from financing activities		
New bank loans raised	51,268	22,000
Proceeds from loan from a related company	42,900	20,060
Repayment of bank loans	(41,287)	(11,625)
Repayment of loan to a related company	(21,000)	–
Other financing activities	(7,887)	17,088
	23,994	47,523
Net increase in cash and cash equivalents	18,020	56,819
Cash and cash equivalents at beginning of the period	26,292	13,314
Effect of foreign currency rate changes	(728)	–
Cash and cash equivalents at end of the period	43,584	70,133
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents, being bank balances and cash	43,584	49,834
Deposits with banks	–	20,299
	43,584	70,133

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

1. BASIS OF PREPARATION

The condensed consolidated 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 the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of Goldbond Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred as the "Group") for the year ended 31 March 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of these 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 periods have been prepared and presented:

Financial guarantee contracts

In the current period, the Group has applied Amendments to HKAS 39 "Financial Instruments: Recognition and Measurement" and HKFRS 4 "Insurance Contracts" which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial guarantee contracts (Continued)

The Group acts as the issuer of the financial guarantee contracts (Continued)

In relation to financial guarantees granted to banks over the repayment of loans by the jointly controlled entities, the Group has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contracts at the date of grant of HK\$1,802,000, representing a deemed capital contribution to the jointly controlled entities, has been adjusted to the carrying amount of interest in jointly controlled entities and a financial guarantee liability has been recognised. The effect of this change in accounting policy is shown in Note 2A.

In relation to financial guarantees granted to customers under the guarantee service business, the Group has applied the transitional provisions in HKAS 39. The financial guarantee contracts issued by the Group are recognised initially at their fair values less transaction costs that are directly attributable to the issue of the financial guarantee contracts. Subsequent to initial recognition, the Group measures financial guarantee contracts at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". There is no material impact on the effect of the change in this accounting policy.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment and interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effect of the application of the new HKFRSs as at 1 April 2006 is summarised below:

	As at 1 April 2006 (Originally stated) HK\$'000	Adjustment HK\$'000	As at 1 April 2006 (Restated) HK\$'000
Balance sheet items			
Interest in jointly controlled entities	95,467	1,037	96,504
Financial guarantee contracts	–	(1,037)	(1,037)

There is no material impact on the effect of changes in accounting policies described above on the results for the current and prior period.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments as follows:

- (a) Property leasing and development: The leasing of shops/premises to generate rental income and gain from the appreciation in property values in the long term.
- (b) Financial services: The provision of loan guarantee services, secured consumer financing and other related services.

	Property leasing and development		Financial services		Consolidated	
	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)
Revenue from external customers	16,984	15,344	9,163	1,095	26,147	16,439
Other revenue from external customers	93	116	–	–	93	116
Change in fair value of investment properties	41,300	21,606	–	–	41,300	21,606
Segment results	49,946	27,211	(8,994)	(14,963)	40,952	12,248
Unallocated operating income and expenses					(761)	(374)
Finance costs					(11,941)	(7,461)
Share of profits (losses) of associates	–	–	147	(1,601)	147	(1,601)
Share of profits of jointly controlled entities	101	2,965	–	–	101	2,965
Profit before taxation					28,498	5,777
Income tax expense					(8,022)	(4,291)
Profit for the period					20,476	1,486

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting) the following items:

	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)
Interest on:		
Bank loans and other borrowings	7,877	3,742
Convertible notes	3,978	3,644
Redeemable convertible preference shares	86	75
	11,941	7,461
Allowance for amount due from jointly controlled entity	–	2,888
Provision for financial guarantees granted to the customers under the guarantee service business	813	–
Depreciation	848	306
Interest income	(1,084)	(1,193)
Share of jointly controlled entity's taxation (credit) charge	(1,660)	1,085
Impairment of goodwill	–	7,954
Operating lease charges in respect of properties	2,662	1,099
Staff costs	15,568	8,849

5. INCOME TAX EXPENSE

	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)
The charge comprises:		
Hong Kong Profits Tax	600	510
PRC Income Tax	194	–
	794	510
Deferred taxation	7,228	3,781
	8,022	4,291

Hong Kong Profits Tax has been calculated at 17.5% (17.5% for the six months ended 30 September 2005) of the estimated assessable profit for the period.

Taxation for subsidiaries in the PRC is calculated at the appropriate current rates of taxation ruling in the PRC.

The deferred taxation mainly related to temporary differences attributable to depreciation allowances in excess of related depreciation and revaluation of certain investment properties.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

6. DIVIDENDS

No dividends were paid during the period. The Directors do not recommend the payment of an interim dividend.

7. EARNINGS PER SHARE

The calculation of the earnings per share is based on the following data:

	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)
Earnings for the purpose of basic earnings per share	20,476	1,486
Effect of dilutive potential ordinary shares: Interest on convertible notes	3,978	N/A
Earnings for the purpose of diluted earnings per share	24,454	N/A

	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,662,440	1,662,440
Effect of dilutive potential ordinary shares: Share options	37,664	N/A
Convertible notes	644,323	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,344,427	N/A

8. INVESTMENT PROPERTIES

The Group's investment properties were fair valued by the external valuers, Knight Frank Petty Limited as at 30 September 2006. The resulting increase in fair value of investment properties of HK\$41,300,000 (30 September 2005: HK\$21,606,000) has been recognised directly in the condensed consolidated income statement.

9. ADDITIONS IN PLANT AND EQUIPMENT

During the period, the Group spent HK\$626,000 (HK\$2,876,000 for the six months ended 30 September 2005) on acquisition of plant and equipment for its business use.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

10. INTEREST IN JOINTLY CONTROLLED ENTITIES

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited and restated)
Share of net assets	62,438	60,799
Goodwill	34,668	34,668
Fair value of financial guarantee contracts	685	1,037
	97,791	96,504

11. DEBTORS, ADVANCES PROVIDED TO CUSTOMERS, PREPAYMENTS AND DEPOSITS

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Trade debtors and advances provided to customers	42,026	5,634
Prepayments, deposits and other receivables	12,170	23,943
	54,196	29,577

For property leasing and development business, the Group allows an average credit period of 30 days to its tenants. For the financial service business, the Group allows an average credit period of 30 days to a maximum of 180 days.

Included in debtors, advances provided to customers, prepayments and deposits are trade debtors and advances provided to customers with the following aging analysis as of the balance sheet date:

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Outstanding balances aged:		
– within one month	40,805	4,624
– more than one month but less than three months	459	721
– more than three months	762	289
	42,026	5,634

12. SECURITY DEPOSITS

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 PRC.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

13. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to HK\$51,268,000 and repaid HK\$41,287,000. The loans bear interest at market rates. The proceeds were used to finance the operation of the financial services business.

14. CONVERTIBLE NOTES

On 5 August 2004, the Company issued convertible notes with a nominal value of HK\$70,000,000 to a related company which is under common control. The notes are interest free and mature on 5 August 2007. They may be converted into ordinary shares of the Company at a conversion price of HK\$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 HK\$30,000,000 to a related company which has common directors. The notes are interest free and mature on 5 August 2007. They may be converted into ordinary shares of the Company at a conversion price of HK\$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 HK\$77,703,000 and HK\$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 convertible notes reserve.

15. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

At 30 September 2006, 68,400,000 preference shares were in issue (31 March 2006: 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 by 17 September 2004.

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 HK\$10.00 per preference share.

The preference shares were split into liability and equity components of HK\$811,000 and HK\$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 retained profits since the conversion rights lapsed during the year ended 31 March 2005.

16. FINANCIAL GUARANTEE CONTRACTS

In July 2004, the Group granted a guarantee of US\$3,750,000, equivalent to approximately HK\$29,250,000 in respect of banking facilities granted to a jointly controlled entity.

In May 2005, the Group entered into funding, allocation and distribution agreements in respect of a bank loan of RMB148,977,000, equivalent to approximately HK\$146,056,000 borrowed by a jointly controlled entity. Pursuant to such agreements, the Group has taken on the funding undertaking 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 Group will, pursuant to the agreements, purchase the residential units in the North Tower of Phase 1 of Nanjing International Center at RMB5,000 per square meter or, if required by the bank, and arrange a refinancing facility.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

16. FINANCIAL GUARANTEE CONTRACTS (Continued)

At the respective date of grant, the fair value of the financial guarantee contracts was assessed by external valuers, Vigers Appraisal & Consulting Limited amounted to US\$137,000 (equivalent to approximately HK\$1,069,000) and RMB762,000 (equivalent to approximately HK\$733,000) respectively.

17. SHARE OPTIONS

The Company has a share option scheme for eligible directors of the Company and eligible employees of the Group and other participants. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 April 2006	133,800,000
Granted during the period	32,000,000
Outstanding at 30 September 2006	165,800,000

The closing price of the Company's shares immediately before 7 July 2006, the date of the grant, was HK\$0.195. The exercise price is HK\$0.21. The estimated fair value of the share options granted on that date was HK\$2,837,000.

During the period, the Group recognised the total expense of HK\$1,292,000 (HK\$1,014,000 for the six months ended 30 September 2005) in relation to share options granted by the Company.

18. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
THE GROUP		
Contracted, but not provided for		
– acquisition of a subsidiary in the PRC	29,412	–
THE GROUP'S SHARE OF CAPITAL COMMITMENTS OF A JOINTLY CONTROLLED ENTITY		
Contracted, but not provided for		
– construction of properties under development	115,263	114,926
	144,675	114,926

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

19. OPERATING LEASE COMMITMENTS

At 30 September 2006, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

As lessee

The Group and the jointly controlled entities are the lessees of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease upon expiry when all terms are re-negotiated.

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
THE GROUP		
Within one year	4,446	4,673
After one year but within five years	6,289	7,891
	10,735	12,564
THE GROUP'S SHARE OF OPERATING LEASE COMMITMENTS OF THE JOINTLY CONTROLLED ENTITIES		
Within one year	264	426
After one year but within five years	–	103
	264	529

As lessor

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 represent one to three month's rental payment. Upon expiry, the leases may be renewed but all terms are re-negotiated.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Within one year	27,355	32,380
After one year but within five years	12,102	16,989
	39,457	49,369

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 September 2006

20. CONTINGENT LIABILITIES

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

- (i) the Group has given a guarantee of US\$3,750,000, equivalent to approximately HK\$29,250,000 (31 March 2006: US\$3,750,000, equivalent to approximately HK\$29,250,000) in respect of banking facilities granted to a jointly controlled entity, the Group also pledged its attributable equity interests in the jointly controlled entity for such banking facilities;
- (ii) the Group entered into funding, allocation and distribution agreements in respect of a bank loan of RMB148,977,000, equivalent to approximately HK\$146,056,000 (31 March 2006: RMB148,977,000, equivalent to approximately HK\$143,247,000) borrowed by a jointly controlled entity.

Pursuant to such agreements, the Group has taken on the funding undertaking 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 Group will, pursuant to the agreements, purchase the residential units in the North Tower of Phase 1 of Nanjing International Center at RMB5,000 per square meter or, if required by the bank, and arrange a refinancing facility; and

- (iii) the Group has contingent liabilities of RMB238,348,000, equivalent to approximately HK\$233,675,000 (31 March 2006: RMB142,397,000, equivalent to approximately HK\$136,920,000) in relation to the provision of the guarantee services in the PRC.

21. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)
Directors' fees	120	175
Salaries and other short-term employee benefits	2,933	2,638
Contributions to defined contribution retirement plans	28	28
Equity compensation benefits	611	619
	3,692	3,460

(b) Transactions with related parties

	1 April 2006 to 30 September 2006 HK\$'000 (Unaudited)	1 April 2005 to 30 September 2005 HK\$'000 (Unaudited)
Legal and professional fee paid to related companies	157	288
Rental expense paid to a related company	518	397
Interest income from jointly controlled entities	502	942
Interest expense paid to a related company	1,678	359



TO THE BOARD OF DIRECTORS OF GOLDBOND GROUP HOLDINGS LIMITED

INTRODUCTION

We have been instructed by Goldbond Group Holdings Limited (the "Company") to review the interim financial report set out on pages 6 to 19.

DIRECTORS' RESPONSIBILITIES

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 Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. 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 the 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 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 November 2006

AUDIT COMMITTEE

The audit committee has met three times throughout the period ended 30 September 2006 (the "Period") and reviewed the accounting principles and practices adopted by the Group. It also discussed auditing, internal control and financial reporting matters including review of the unaudited interim report for the Period with the management and the auditors of the Company, Deloitte Touche Tohmatsu. The terms of reference of the Audit Committee were modified in March 2005 and have been included on the Company's website.

REMUNERATION COMMITTEE

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 30 September 2006, 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 24)	–	–	29.91%
	Beneficial owner	–	16,000,000 (Note 1)	–	0.96%
	Interest of spouse	–	–	411,764,705 (Note 3 on page 24)	17.85% (Note 7 on page 24)
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 24)	10.08% (Note 7 on page 24)
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	2,600,000	–	–	0.16%
	Beneficial owner	–	24,000,000 (Notes 1 & 4)	–	1.44%
Mr. Lan Ning ("Mr. Lan")	Beneficial owner	–	16,000,000 (Note 1)	–	0.96%
Mr. Ip Yin Wah ("Mr. Ip")	Beneficial owner	–	1,600,000 (Note 3)	–	0.096%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS (Continued)**Interests in ordinary shares of HK\$0.1 each (the "Shares")/underlying Shares of the Company (Continued)**

Name of Director	Capacity	Number of Shares	Number of	Number of	Approximate percentage of issued share capital of the Company
			share options of the Company	underlying Shares of the Company	
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:

- 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.
- 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).
- 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.
- On 7 July 2006, Mr. Ding was granted 8,000,000 options under the share option scheme of the Company to subscribe for 8,000,000 Shares, exercisable at a price of HK\$0.21 per Share during the period from 1 January 2010 to 6 July 2016.

All the interests stated above represent long positions.

Save for those disclosed above, at 30 September 2006, 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 of Hong Kong Limited (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 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 2006, 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 2006, the interests in Shares and/or underlying 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	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)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (Continued)

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 22 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 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 22 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 2006, 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 2006 Annual Report despatched in July this year.

Details of the movements in the number of share options under the Scheme during the Period were as follows:

Grantee	Date of grant	Exercise price HK\$	Number of share options			Exercise period (Note 2)
			As at 31/3/06	Granted during the Period	As at 30/9/06	
Directors						
– Mr. Wong	8/11/2004	0.148	16,000,000	–	16,000,000	1/1/2007 – 7/11/2014
– Mr. Ding	8/11/2004	0.148	16,000,000	–	16,000,000	1/1/2007 – 7/11/2014
	7/7/2006	0.210	–	8,000,000	8,000,000	1/1/2010 – 6/7/2016
		(Note 1)				
– Mr. Kee	8/11/2004	0.148	16,000,000	–	16,000,000	1/1/2007 – 7/11/2014
– Mr. Lan	8/11/2004	0.148	16,000,000	–	16,000,000	1/1/2007 – 7/11/2014
– Mr. Ip	29/7/2005	0.132	1,600,000	–	1,600,000	1/1/2007 – 28/7/2015
– Mr. Ma	29/7/2005	0.132	1,600,000	–	1,600,000	1/1/2007 – 28/7/2015
– Mr. Shiraki	29/7/2005	0.132	1,600,000	–	1,600,000	1/1/2007 – 28/7/2015
Eligible employees						
(in aggregate)	8/11/2004	0.148	49,000,000	–	49,000,000	1/1/2007 – 7/11/2014
	30/5/2005	0.136	16,000,000	–	16,000,000	1/1/2007 – 29/5/2015
	7/7/2006	0.210	–	24,000,000	24,000,000	1/1/2010 – 6/7/2016
		(Note 1)				
			133,800,000	32,000,000	165,800,000	

No option granted under the Scheme was exercised, lapsed or cancelled during the Period.

Notes:

1. The closing price immediately before the date of grant was HK\$0.195.
2. Except for the options granted on 7 July 2006 which are vested on 1 January 2010, all other options granted are fully vested on 1 January 2007.

CONTINUING DISCLOSURE REQUIREMENTS

(A) Pursuant to rule 13.20 of the Listing Rules, the following information, at 30 September 2006, is included:

Name of the entity	Attributable interest held by the Group	Advances/ Guarantee given <i>HK\$'000</i>	Interest rate p.a.	Collateral	Repayment term
<i>Jointly controlled entities</i>					
Nanjing City Plaza Construction Co., Ltd ("NCP") (Note 1)	25%	12,145	2% above prime rate (Note 5)	Unsecured	On demand
NCP (Note 2)	25%	29,250	–	–	–
Nanjing International Group Ltd ("NIG") (Note 3)	16.74%	24,391	–	–	–
<i>Associated company</i>					
Goldbond Capital Holdings Limited ("GCHL") (Note 4)	20%	–	–	–	–
		<u>65,786</u>			

Notes:

- The advance was used for the purpose of subscribing new shares in NIG in February 2004.
- 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 2006.
- 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\$24,391,000). Details of the undertakings are set out in the Company's circular dated 14 June 2005. Such facility had been fully utilized at 30 September 2006.
- The Company provided an unsecured revolving facility in the amount of up to HK\$40,000,000 to GCHL for general working capital purposes of GCHL and its subsidiaries in January 2006. The facility carries an interest rate of 3% above the prime rate (Note 5) or cost of funding to the Company (whichever is higher). Such facility was unutilized at 30 September 2006.
- Prime rate represents the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.

CONTINUING DISCLOSURE REQUIREMENTS (Continued)

- (B) Pursuant to rule 13.22 of the Listing Rules, a proforma combined balance sheet of affiliated companies at 30 September 2006 is presented as below:

Assets and liabilities

	<i>HK\$'000</i>
Non-current assets	319,330
Current assets	1,546,371
Current liabilities	(606,100)
Non-current liabilities	(755,656)
Net assets	<u>503,945</u>
Share capital	54,292
Reserves	198,994
Minority interests	<u>250,659</u>
Total equity	<u>503,945</u>
Group's pro forma attributable interest	<u>63,322</u>

CORPORATE GOVERNANCE

The Company complied the principles and fully complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the Period except for the following deviations:

- (A) code provision A.2.1 states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Wong, being the deputy chairman and the chief executive officer of the Company, oversees the management of the Board and the Group's business with the assistance of other executive directors. Thus, there is a deviation from such provision. To ensure compliance with the Code, the Board is considering an appropriate appointment of a chairman of the Company; and
- (B) code provision A.4.2 states that directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. With respect to the re-election of newly appointed Director, the Company has complied with Paragraph 4(2) of Appendix 3 of the Listing Rules, which permits the Directors who has been appointed to fill a casual vacancy of the Board be subject to re-election at the next annual general meeting of the Company. As such, code provision A.4.2, which requires the re-election to take place in the next general meeting, was not adopted. With respect to the retirement requirement as stated in such provision, which was deviated from the Company's Articles of Association, the relevant articles were amended at the annual general meeting held on 13 September 2006. As such, such requirement has been complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules 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.

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.

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

Hong Kong, 29 November 2006