金榜集團控股有限公司

GOLDBOND GROUP HOLDINGS LIMITED

Annual Report 2005

Contents

Corporate Information

BOARD OF DIRECTORS

Executive

Mr. Wong Yu Lung, Charles
(Deputy Chairman and Chief Executive Officer)
Mr. Lan Ning
(Deputy Chief Executive Officer)
Mr. Ko Po Ming
Mr. Kee Wah Sze
Mr. Ding Chung Keung, Vincent

Independent non-executive

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

SECRETARY

Mr. Ding Chung Keung, Vincent

AUDITORS

KPMG
Certified Public Accountants

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

Anthony Chiang & Partners
Coudert Brothers
Iu, Lai & Li
Michael Cheuk, Wong & Kee

PRINCIPAL BANKERS

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

WEBSITE

http://www.goldbondgroup.com

STOCK CODE

0172

RESULTS AND DIVIDEND

Turnover of the Group for the year ended 31 March 2005 was approximately HK$24,735,000 (2004: HK$23,392,000). The Group recorded a profit attributable to shareholders of approximately HK$27,935,000 (2004: HK$27,037,000), which was mainly contributed by the increase in fair value of the Group's investment properties and operating profit from leasing of the investment properties.

The Directors did not recommend the payment of a dividend in respect of the year ended 31 March 2005 (2004: HK$Nil).

BUSINESS REVIEW

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

Properties

Golden Plaza

The rental income derived from Golden Plaza in Hong Kong for the year was approximately HK$24,725,000 (2004: HK$23,387,000). Golden Plaza is a well established niche market for wedding businesses. The Group owns an aggregate of over 90% of the arcade from the basement to the 3rd floor. As at 31 March 2005, approximately 97% of the total gross floor area (excluding the basement which was then under renovation) of Golden Plaza had been rented.

The full renovation and upgrade of all floors (including the basement) have been completed by April 2005. The basement, known as "The Future", is divided into 25 units for rental, of which 21 units have been rented as at the date of this report while the remaining are under close negotiation with potential tenants. It is expected to contribute additional rental income and the Directors would anticipate an attractive enhancement in the rental yield as a whole.

As at 31 March 2005, the market value of Golden Plaza as revaluated by independent professional valuers was HK$415,000,000, resulting in a surplus of approximately HK$40,506,000.

Nanjing International Center

The Group's jointly controlled entity, Nanjing City Plaza Construction Co., Ltd., has a 67% equity interest in Nanjing International Group Limited ("NIG"), a joint stock limited liability company incorporated in the PRC which is developing Nanjing International Center ("NIC") in Nanjing, the PRC. NIC was named as "China's Top 10 Landmark Architectures in 2004" by the "China's Top 10 Real Estate" Research Group set up jointly by the Development Research Center of the State Council, the Real Estate Research Center of Tsinghua University and the Index Research Center.

NIC comprises a site area of approximately 32,000 square meters and will be developed by two phases. The construction of Phase I is being carried out intensively. Phase I, comprising a shopping mall, a hotel, serviced apartments, residential units and office premises with a total gross floor area of approximately 227,000 square meters, is expected to be completed by 2006. The superstructure work of Phase I is expected to be completed in the third quarter of 2005. The pre-sale/lease of Phase I is scheduled to begin in the second half of 2005. In January 2005, NIG entered into a pre-lease agreement with Golden Eagle International Shopping Group (南京金鷹國際購物集團有限公司), one of the major retailing companies throughout the PRC, for the lease of north wing of the 1st floor to 6th floor of the shopping mall of Phase I with a total area of approximately 32,000 square meters.

Despite Macro Control policy recently introduced by the PRC government which purposed to cool down overheating industries in sectors such as real estate properties development, NIG has successfully obtained banking facilities in July 2004 and May 2005 for RMB100,000,000 and approximately RMB448,977,000 respectively. The facilities are used for the construction of Phase I. Meanwhile, Phase II is at the planning stage with an expected total gross floor area of approximately 218,000 square meters. In March 2005, NIG and Westin entered into an agreement under which Westin Hotel will be operated at Phase II.

Financial services

Rongzhong Group Limited ("Rongzhong")

In November 2004, Perfect Honour Limited ("Perfect Honour"), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with, among others, Mr. Xie Xiao Qing ("Mr. Xie") and China Modern Limited, for the subscription of a 40% equity interest in Rongzhong at a cash consideration of US$40. Pursuant to the Subscription Agreement, Perfect Honour has undertaken to advance to Rongzhong a shareholder's loan of RMB42,000,000 or its equivalent in Hong Kong dollars as part of the registered capital in a wholly-owned PRC incorporated subsidiary of Rongzhong (the "Management Company"). This shareholder's loan was financed by the proceeds from the Convertible Note (as defined below). The subscription of shares in Rongzhong and the advancement of the shareholder's loan were completed in December 2004.

In June 2005, Perfect Honour entered into an agreement with Mr. Xie pursuant to which Perfect Honour agreed to acquire and Mr. Xie agreed to sell 11% equity interest in Rongzhong at a consideration of US$11. Upon completion, the Group's equity interest in Rongzhong will increase by 11% to 51%. On the same date, Perfect Honour also entered into a loan agreement with Rongzhong in which Perfect Honour agreed to advance a shareholder's loan of not more than HK$17,000,000 to Rongzhong as general working capital. The loan will be financed by the Group's banking facilities and/or internal resources. The acquisition of further 11 shares in Rongzhong was completed in July 2005.

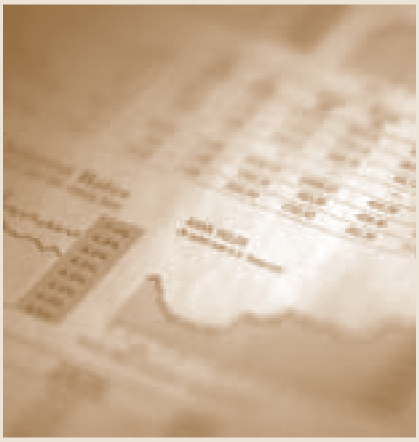
Rongzhong carries on businesses in various cities of the PRC, including Changsha, Chengdu, Chongqing, Guangzhou, Nanjing and Hangzhou. At present, these companies mainly provide loan guarantee services for individuals in relation to six major types of activities: (1) consumables; (2) educational funds; (3) residential renovations; (4) travels and wedding; (5) motor vehicles; and (6) properties. As at 31 March 2005, the Group made a provision of HK$2,400,000 due to the preliminary stage of the reorganisation of Rongzhong after the Group's participation.

The Directors believe that investment in Rongzhong would be a strategic move for the Group. With Mr. Xie's expertise in loan guarantee business in the PRC, the Directors are optimistic that the investment will allow the Group to venture into the loan guarantee market with promising prospect.

Goldbond Capital Holdings Limited ("Goldbond Capital")

In October 2004, the Group entered into an agreement to acquire a 20% equity interest in Goldbond Capital at a consideration of HK$30,000,000, which was settled by the issue of the Zero-coupon Convertible Note (as defined below) at a conversion price of HK$0.129 (subject to adjustment) per share. The acquisition was completed in December 2004. Goldbond Capital and its subsidiaries are principally engaged in the provision of investment and financial-related services, including but not limited to, securities and futures trading, distribution and placement of listed and unlisted securities, financial advisory, initial public offering and asset management.

Following the PRC's entry to the World Trade Organisation, the Directors consider that the economic growth of the PRC is promising and the financial services sector in Hong Kong is set to ride on the expected growth of fund raising activities by the PRC enterprises. The Directors are of the view that Goldbond Capital possesses experienced and competent personnel in the financial industry and will contribute to the Group in the future.



Gobi Fund, Inc.

In February 2005, the Group entered into an agreement to dispose of 12 units of Gobi Fund, Inc. at a consideration of HK$11,700,000. The completion was divided into two stages. As at 31 March 2005, the Company has received HK$5,850,000 for the first 6 units of Gobi Fund, Inc.. The completion of the sale of the remaining 6 units is expected to be taken place by December 2005.

Future Plan

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

FINANCIAL REVIEW

For the year under review, the Group recorded a profit attributable to shareholders of approximately HK$27,935,000 (2004: HK$27,037,000), which was mainly contributed by the increase in fair value of the Group's investment properties of HK$40,464,000 (2004: HK$34,650,000) and operating profit from leasing of the investment properties of approximately HK$4,271,000 (2004: HK$4,000,000). As at 31 March 2005, the Group had net assets value of approximately HK$326,980,000 (2004: HK$299,045,000) which represented an increase of 9.34% over last year end.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2005, the Group had secured bank borrowings of HK$177,992,000 (2004: HK$190,765,000) which bear interest with reference to Hong Kong Interbank Offered Rate (HIBOR) and will be repayable by instalments till 2013. The Group has a banking facility HK$66,000,000 granted by a bank in Hong Kong which is secured by the pledged deposits of approximately US$2,563,000 and its interest thereupon. Such banking facility was not utilised as at 31 March 2005 and 2004 respectively. All of the Group's borrowings are denominated in Hong Kong dollars. The Group had maintained adequate liquidity cash and bank balances of HK$13,314,000 as at the year-end date (2004: HK$9,583,000).

On 5 August 2004, the Company issued a 3-year convertible note due 2007 in the principal amount of HK$70,000,000 (the "Convertible Note") to Wah Link Investments Limited. The Convertible Note bears no interest and carries the right to convert into ordinary shares of HK$0.10 each at a conversion price of HK$0.17 (subject to adjustment) per share. The proceeds of HK$70,000,000 have been applied as approximately HK$39,623,000 (i.e. RMB42,000,000) to the provision of shareholder's loan to Rongzhong and the balances to working capital of the Group.

On 31 December 2004, the Company also issued a zero-coupon convertible note due 2007 in the principal amount of HK$30,000,000 (the "Zero-coupon Convertible Note") as consideration for the acquisition of a 20% equity interest in Goldbond Capital at a conversion price of HK$0.129 (subject to adjustment) per share.

The gearing ratio, measured as total liabilities to total assets, was 48.01% (2004: 42.44%).

The Group's transactions and monetary assets are principally denominated in Hong Kong dollars, United States dollars and Renminbi, and as a result, the Directors believe that the Group has no significant exposure to foreign exchange rate fluctuation.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2005, the banking facilities granted to the Group were secured by:

(i) a legal charge over investment properties with an aggregate carrying value of HK$415,000,000 (2004: HK$370,000,000);

(ii) the 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; and

(iv) a fixed deposit of approximately US$2,563,000 plus accrued interest.

As at 31 March 2005, the banking facilities granted to the Group's jointly controlled entity were secured by:

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

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

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 RMB8,750,000 (equivalent to approximately HK$8,255,000) in respect of banking facilities of RMB40,000,000 (equivalent to approximately HK$37,736,000) granted to a jointly controlled entity (2004: HK$Nil). Such banking facility was not utilised during the year;

(ii) the Company has given a guarantee of US$3,750,000 (equivalent to approximately HK$29,250,000) (2004: HK$Nil) in respect of banking facility granted to a jointly controlled entity, the Group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities; and

(iii) the Company has given a guarantee of HK$200,000,000 (2004: HK$200,000,000) in respect of a bank loan of HK$177,992,000 (2004: HK$190,765,000) granted to a wholly-owned subsidiary.

As at the balance sheet date, there were contingent liabilities in respect of the Group's 40% share of guarantees related to provision of guarantee services by the Group's jointly controlled entities which share amounted to RMB798,000 (equivalent to approximately HK$753,000) (2004: HK$Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2005, the Group's total number of staff was 20. The Group remunerates its employees based on their performance, experience and prevailing industry practices. The Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

Biographical Details of Directors

Brief biographical details of the Directors are set out as follows (with age in brackets):

Mr. Wong Yu Lung, Charles (55), is the Deputy Chairman and Chief Executive Officer of the Company. He joined the Company in January 2003 and is responsible for corporate strategic planning of the Group. Mr. Wong has over thirty years of experience in the consumer products logistics industry. He is an international entrepreneur of repute and was the co-founder and chief operating officer of Pacific Resources Export Limited ("Pacific Resources"). Pacific Resources had been the worldwide exclusive procurement agent for Wal-mart for twelve years until 2002 with annual turnover reaching approximately US$6.5 billion. Throughout his years in operating Pacific Resources and its various branch offices spreading over twenty-eight regions in the world including the United States, South America, Central America, Indian Subcontinent, Middle East, Asia and Europe, Mr. Wong has accumulated valuable experience and profound knowledge, in particular, market mechanism and demand, manufacturing industry, financial market, capital investment and asset management.

As at the date of this report, Mr. Wong is also a director of Ace Solomon Investments Limited, Allied Luck Trading Limited, Goldbond Capital Investment Holdings Limited, Golden Cloud Holdings Group Limited and Legend (Asia Pacific) Investment Limited, all being companies which had substantial shareholders' discloseable interests.

Mr. Lan Ning (42), is the Deputy Chief Executive Officer of the Company. He has been an executive Director since January 2003 and is responsible for business investment and development of the Group. Prior to joining the Group, he was a senior director of China Poly Group Corporation and the founder and chairman of Guangzhou Poly Investment Limited in the PRC. He has extensive experience in wide range of business, including trading, property development and investment, asset management, securities trading, corporate restructuring and making local and overseas strategic investments.

Mr. Kee Wah Sze (57), has been an executive Director since January 2003. Mr. Kee is responsible for management and legal aspect of the Group. He is a practicing solicitor in Hong Kong and the senior partner of Michael Cheuk, Wong & Kee and also a notary public and a China-Appointed Attesting Officer in Hong Kong. He has over twenty years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and the PRC.

As at the date of this report, Mr. Kee is also a director of Ace Solomon Investments Limited, Grace Honour Limited, Goldbond Capital Investment Holdings Limited and Legend (Asia Pacific) Investment Limited, all being companies which had substantial shareholders' discloseable interests.

Mr. Ko Po Ming (46), joined the Company as an independent non-executive Director in February 2003 and has been re-designated as an executive Director since July 2003. Mr. Ko is responsible for the management and corporate strategic planning of the Group. He is currently the chairman and chief executive officer of Goldbond Capital Holdings Limited and was formerly the chairman of BNP Paribas Peregrine Capital Limited. He has over twenty-two years of experience in banking and corporate finance. He is also a member of the listing committee of the main board and of the growth enterprise market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Ding Chung Keung, Vincent (35), has been an executive Director since June 2005. He is also the Chief Operating Officer and the Secretary of the Company overseeing all business operations and compliance issues of the Company. Mr. Ding has been in the investment, management and finance industries since 1996 and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Prior to joining the Company, Mr. Ding was the managing director of Cheung Tai Hong Holdings Limited, and the executive director of Capital Estate Limited (both are companies listed on the Stock Exchange). Mr. Ding holds a bachelor degree in business administration from The Chinese University of Hong Kong.

Mr. Ip Yin Wah (58), joined the Company as an independent non-executive Director and the chairman of the Company's audit committee in September 2004. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow of Certified Practising Accountants Australia and an associate member of the Institute of Chartered Secretaries and Administrators. He is the sole proprietor of Y. W. Ip & Company, a firm of certified public accountants practicing in Hong Kong. Mr. Ip has more than thirty-two years of experience in public accountancy. He was an independent non-executive director of Simsen International Corporation Limited, a company listed on the Stock Exchange, in 2001.

Mr. Ma Ho Fai JP (53), joined the Company as an independent non-executive Director in February 2003 and is a member of the Company's audit committee. Mr. Ma is a partner of Woo, Kwan, Lee & Lo and was admitted as a solicitor in England and Wales, Australian Capital Territory and Singapore. He is also a China-Appointed Attesting Officer in Hong Kong.

Mr. Melvin Jitsumi Shiraki (59), joined the Company as an independent non-executive Director and a member of the Company's audit committee in September 2004. He is a business commerce and trade industry professional with around thirty years of experience in the international arena. He has successfully established buying agent offices in various Asian countries, advancing the growth of various U.S.A. retail import programs, negotiating contracts and supervising administrative operations and business services.

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

PRINCIPAL ACTIVITIES OF THE GROUP

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

SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

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

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

SUMMARY OF FINANCIAL INFORMATION

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

FIXED ASSETS AND INVESTMENT PROPERTIES

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

PROPERTIES

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

RESERVES

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

DISTRIBUTABLE RESERVES

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

BANK LOANS

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

SHARE CAPITAL

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

MAJOR CUSTOMERS AND SUPPLIERS

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

RETIREMENT SCHEME

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

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors

Mr. Wong Yu Lung, Charles	
Mr. Kee Wah Sze	
Mr. Ko Po Ming	
Mr. Lan Ning	
Ms. Loh Jiah Yee, Katherine	(resigned on 1 June 2005)
Mr. Ding Chung Keung, Vincent	(appointed on 1 June 2005)

Independent Non-Executive Directors

Mr. Ip Yin Wah	(appointed on 24 September 2004)
Mr. Ma Ho Fai JP	
Mr. Melvin Jitsumi Shiraki	(appointed on 24 September 2004)
Mr. Zhang Xiao Shu	(resigned on 1 June 2005)

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS

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

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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

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

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

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

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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

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

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

Notes:

1. These Shares were held by Allied Luck Trading Limited, which is owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong Fang Pik Chun ("Mrs. Wong"), the spouse of Mr. Wong.

2. On 8 November 2004, each of Messrs. Wong, Kee, Ko, Lan and Ms. Loh was respectively granted 16,000,000 options under the share option scheme of the Company to subscribe for 16,000,000 Shares, exercisable at a price of HK$0.148 (subject to adjustment) per Share during the period from 1 January 2007 to 7 November 2014.

3. The convertible note was held by Wah Link Investments Limited, a company owned as to 99.9996% by Golden Cloud Holdings Group Limited and as to 0.0004% by Gold Choice Management Limited. Each of these companies is directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong, and 49% by Mrs. Wong.

4. Out of these Shares, 67,001,300 Shares were held by Canasia Profits Corporation (which is wholly-owned by Mr. Kee) and 338,888,343 Shares were held by Ace Solomon Investments Limited (which is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong).

5. The convertible note was held by Goldbond Capital Investment Holdings Limited, a company wholly owned by Legend (Asia Pacific) Investment Limited, which in turn, is owned as to 90% by Grace Honour Limited (which is wholly-owned by Mr. Kee) and as to 10% by Central Executive Limited (which is wholly-owned by Mr. Wong).

6. The approximate percentage was calculated assuming the issued share capital of the Company has been enlarged by the issue of Shares pursuant to the aforesaid convertible notes, but no other options or convertible notes (if any).

7. These Shares were held by Sparkle Power Technology Limited, which is owned as to 50% by Mr. Ko and as to 50% by Ms. Loh.

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

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiries by the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (collectively "substantial shareholders' discloseable interests"):

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

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

Notes:

1. Allied Luck Trading Limited is owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong. As such, Mrs. Wong was taken to have an interest in such Shares by virtue of her shareholding interests in Allied Luck Trading Limited.

2. As disclosed in note 2 above on page 14 of this report, each of Messrs. Wong and Kee was respectively granted 16,000,000 options under the share option scheme of the Company to subscribe for 16,000,000 Shares. As such, each of Mrs. Wong and Mrs. Kee (spouse of Mr. Kee) was respectively taken to have such interest in the underlying Shares under the provisions of the SFO.

3. Wah Link Investments Limited is owned as to 99.9996% by Golden Cloud Holdings Group Limited and as to 0.0004% by Gold Choice Management Limited. Each of these companies is directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong and as to 49% by Mrs. Wong. As such, each of Golden Cloud Holdings Group Limited, Mrs. Wong and Mr. Wong Yu Hung, Davy was respectively taken to have an interest in the underlying Shares.

4. Mrs. Kee is the spouse of Mr. Kee, an executive Director. Out of these Shares, 338,888,343 Shares were held by Ace Solomon Investments Limited (note 6 below). Mrs. Kee was deemed to be interested in such Shares.

5. Goldbond Capital Investment Holdings Limited is wholly owned by Legend (Asia Pacific) Investment Limited, which in turn, is owned as to 90% by Grace Honour Limited (which is wholly owned by Mr. Kee) and as to 10% by Central Executive Limited (which is wholly owned by Mr. Wong). As such, each of Goldbond Capital Investment Holdings Limited, Legend (Asia Pacific) Investment Limited, Grace Honour Limited was respectively taken to have an interest in the underlying Shares. Mrs. Kee was also taken to have an interest in the underlying Shares under the provisions of the SFO.

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).

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

SHARE OPTION SCHEME

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

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES

Advance to Entities

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

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

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

Notes:

(i) The advance was used for the purpose of subscribing new shares in Nanjing International Group Limited in February 2004.

(ii) The guarantee amounted to US$3,750,000 (equivalent to approximately HK$29,250,000) is provided by the Company as a result of the entering into a loan agreement in June 2004 by, among others, Nanjing City Plaza Construction Co., Ltd. and the bank, for the banking facility of US$15,000,000. Such facility had been fully utilized at the year end date.

(iii) The advance was used for the purpose of general working capital.

(iv) The back-to-back guarantee amounted to RMB8,750,000 (equivalent to approximately HK$8,255,000) was provided by a wholly-owned subsidiary of the Company in respect of banking facility to be granted to Rongzhong Group Limited. Such facility had not been utilized at the year end date.

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

Financial Assistance and Guarantees to Affiliated Companies

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

Assets and liabilities

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

POST BALANCE SHEET EVENTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

AUDITORS

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

On behalf of the Board

Wong Yu Lung, Charles
Chief Executive Officer

Hong Kong
8 July 2005

Auditors' report to the shareholders of
Goldbond Group Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 21 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2005 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 8 July 2005

Consolidated Profit and Loss Account

For the year ended 31 March 2005

(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 (restated) $'000
Turnover	3	**24,735**	23,392
Direct outgoings		**(3,893)**	(1,408)
		20,842	21,984
Other revenue	4	**3,905**	1,186
Other net loss	4	**(136)**	(1,978)
Administrative expenses		**(19,948)**	(15,818)
Other operating expenses	5(c)	**(2,400)**	(1,875)
Change in fair value of investment properties	11	**40,464**	34,650
Profit from operations		**42,727**	38,149
Finance costs	5(a)	**(2,495)**	(4,324)
Share of loss of associate		**(1,351)**	–
Share of losses of jointly controlled entities		**(4,654)**	(400)
Profit from ordinary activities before taxation	5	**34,227**	33,425
Income tax	6(a)	**(6,292)**	(6,388)
Profit attributable to shareholders	9, 25	**27,935**	27,037
Earnings per share	10		
Basic		**1.68 cents**	3.20 cents
Diluted		**1.40 cents**	3.15 cents

The notes on pages 29 to 70 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2005

(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 (restated) $'000
Non-current assets			
Fixed assets			
– Investment properties		**415,108**	370,450
– Furniture, fixtures and other fixed assets		**779**	426
	11(a)	**415,887**	370,876
Interest in associate	13	**29,280**	–
Interest in jointly controlled entities	14	**126,549**	92,524
Other investments	15	**3,000**	14,700
		574,716	478,100
Current assets			
Amounts due from jointly controlled entities	14	**11,315**	10,063
Trade and other receivables	16	**9,234**	1,746
Current tax recoverable	22(a)	**311**	67
Pledged deposits	18	**20,005**	20,000
Cash and cash equivalents	17	**13,314**	9,583
		54,179	41,459
Current liabilities			
Interest-bearing bank loans	18	**13,412**	12,773
Amount due to a related company	19	**–**	12,078
Other payables and accruals	20	**14,340**	15,699
		27,752	40,550
Net current assets		**26,427**	909
Total assets less current liabilities		**601,143**	479,009
Non-current liabilities			
Interest-bearing bank loans	18	**164,580**	177,992
Convertible notes	21	**100,000**	–
Deferred taxation	22(b)	**9,583**	1,972
		274,163	179,964
		326,980	299,045

At 31 March 2005

(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 (restated) $'000
Capital and reserves			
Share capital	24	**173,084**	173,084
Reserves	25	**153,896**	125,961
		326,980	299,045

Approved and authorised for issue by the board of directors on 8 July 2005.

Wong Yu Lung, Charles
Director

Ding Chung Keung, Vincent
Director

The notes on pages 29 to 70 form part of these financial statements.

Balance Sheet

At 31 March 2005

(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000
Non-current assets			
Fixed assets	11(b)	**768**	412
Interest in subsidiaries	12	**389,830**	313,955
Other investments	15	**3,000**	3,000
		393,598	317,367
Current assets			
Trade and other receivables	16	**148**	135
Pledged deposits	18	**20,005**	20,000
Cash and cash equivalents	17	**9,538**	6,725
		29,691	26,860
Current liabilities			
Amount due to a subsidiary	12	**33,430**	32,232
Amount due to a related company	19	**–**	12,078
Other payables and accruals		**4,575**	8,986
		38,005	53,296
Net current liabilities		**(8,314)**	(26,436)
Total assets less current liabilities		**385,284**	290,931
Non-current liabilities			
Convertible notes	21	**100,000**	–
		285,284	290,931

Balance Sheet

At 31 March 2005

(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000
Capital and reserves			
Share capital	24	**173,084**	173,084
Reserves	25	**112,200**	117,847
		285,284	290,931

Approved and authorised for issue by the board of directors on 8 July 2005.

Wong Yu Lung, Charles
Director

Ding Chung Keung, Vincent
Director

The notes on pages 29 to 70 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2005

(Expressed in Hong Kong dollars)

	Note	**2005** $'000	2004 (restated) $'000
Shareholders' equity at the beginning of the year			
As previously reported		**298,109**	135,491
Prior year adjustments arising from changes in accounting policies in deferred tax arising on:			
– depreciation allowances in excess of related depreciation	25	**–**	(2,468)
– revaluation of certain investment properties	2, 25	**936**	6,400
As restated		**299,045**	139,423
Net profit for the year			
As previously reported			32,501
Prior year adjustments arising from change in accounting policy in deferred tax arising on revaluation of certain investment properties	2, 25		(5,464)
As restated		**27,935**	27,037
Movements in share capital and reserves	24, 25		
– issue of new ordinary shares under the placement of the Consideration Shares		**–**	1,000
– issue of new ordinary shares under the Open Offer		**–**	132,595
– share issue expenses		**–**	(1,010)
Net increase in share capital and reserves arising from capital transactions		**–**	132,585
Shareholders' equity at the end of the year		**326,980**	299,045

The notes on pages 29 to 70 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2005

(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000
Operating activities			
Profit from ordinary activities before taxation		**34,227**	33,425
Adjustments for:			
– Depreciation		**187**	119
– Finance costs		**2,495**	4,324
– Provision for amount due from jointly controlled entity		**2,400**	–
– Net loss on disposals of fixed assets		**136**	–
– Share of loss of associate		**1,351**	–
– Share of losses of jointly controlled entities		**4,654**	400
– Change in fair value of investment properties		**(40,464)**	(34,650)
– Interest income		**(1,332)**	(229)
– Write-back of long-outstanding payables		**(1,352)**	–
– Net gain on disposal of a subsidiary	26	**–**	(10)
– Net realised loss on trading securities carried at fair value		**–**	1,988
– Provision for bad and doubtful debts		**–**	1,875
Operating results before changes in working capital		**2,302**	7,242
Decrease in amounts due to related companies		**–**	(1,890)
Decrease in trade and other receivables		**702**	1,916
Decrease in other payables and accruals		**(7)**	(1,955)
Cash generated from operations		**2,997**	5,313
Tax refund received		**293**	–
Hong Kong profits tax paid		**(674)**	(1,643)
Net cash from operating activities		**2,616**	3,670

Consolidated Cash Flow Statement

For the year ended 31 March 2005

(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000
Investing activities			
Interest received		**75**	166
Proceeds from disposal of fixed assets		**441**	–
Proceeds from disposal of other investments		**5,850**	–
Loan advanced to jointly controlled entities		**(39,623)**	(10,000)
Payments for acquisition of an associate		**(631)**	–
Payments for acquisition of other investments		**–**	(11,700)
Contributions made to Gobi Fund	27(a)(i)	**(2,340)**	–
Payments for purchase of fixed assets		**(5,311)**	(199)
Payments for acquisition of a jointly controlled entity		**–**	(91,782)
Proceeds from disposal of trading securities		**–**	852
Net cash used in investing activities		**(41,539)**	(112,663)
Financing activities			
Proceeds from convertible notes		**70,000**	–
Repayment of bank loans		**(12,773)**	(202,139)
Repayment of loan from a related company		**(12,078)**	–
Payment of loan interest		**(2,495)**	(3,972)
Gross proceeds from issue of shares		**–**	132,595
Placement of pledged deposits		**–**	(20,000)
Proceeds from bank loans		**–**	200,000
Share issue expenses paid		**–**	(1,010)
Net cash from financing activities		**42,654**	105,474
Net increase/(decrease) in cash and cash equivalents		**3,731**	(3,519)
Cash and cash equivalents at the beginning of the year		**9,583**	13,102
Cash and cash equivalents at the end of the year	17	**13,314**	9,583

The notes on pages 29 to 70 form part of these financial statements.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the group for the year are also separately presented in the consolidated profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the group until the minority's share of losses previously absorbed by the group has been recovered.

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

(d) Associate and jointly controlled entities

An associate is an entity in which the group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the group and other parties, where the contractual arrangement establishes that the group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the group's share of the associate's or the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the group's share of the post acquisition results of the associate and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e). When the group's share of losses exceeds the carrying amount of the associate or the jointly controlled entities, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred obligations in respect of the associate or the jointly controlled entities.

Unrealised profits and losses resulting from transactions between the group and its associate and its jointly controlled entities are eliminated to the extent of the group's interest in the associate or jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

In respect of acquisitions of associate and jointly controlled entities, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation (see note 1(i)) and any impairment losses (see note 1(j)) is included in the carrying amount of the interests in associate or jointly controlled entities.

(f) Other investments in securities

The group's and the company's policies for investments in securities other than investments in subsidiaries, associate and jointly controlled entities are as follows:

(i) Non-trading other investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

(ii) Transfers from the investment revaluation reserve to the profit and loss account as a result of impairment is reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(g) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

- investment properties are stated in the balance sheet at fair value; and
- furniture, fixtures and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).

(ii) Changes in fair value arising on the revaluation of investment properties are recognised in the profit and loss account.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (Continued)

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(h) Leased assets

(i) Assets held for use in operating leases
Where the group leases out assets under operating leases, the assets are included in the balance sheet as investment properties, which are stated in the balance sheet at their open market value with the changes arising on the revaluation recognised in the profit and loss account as set out in note 1(g)(i) and (ii).

(ii) Operating lease charges
Where the group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

(i) Amortisation and depreciation

(i) No depreciation is provided on investment properties.

(ii) Depreciation is calculated to write off the cost of other fixed assets over their estimated useful lives on a straight-line basis as follows:

Furniture, fixtures and other fixed assets	3 to 5 years

(iii) Goodwill arising on the acquisition of associate and jointly controlled entities is amortised on a straight-line basis over its estimated useful life of 20 years.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than investment properties carried at revalued amounts);

– investments in subsidiaries (except for those accounted for at fair value under note 1(c)); and

– positive goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

(iii) When the group grants employees options to acquire shares of the company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company or the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.

(ii) Management fee income

Management fee income is recognised in the profit and loss account when the management service is rendered.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Foreign currency assets, being equity investments are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

The results of enterprises outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year, balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of an enterprise outside Hong Kong, the cumulative amount of the exchange differences which relate to that enterprise is included in the calculation of the profit or loss on disposal.

(q) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(s) Segment reporting

The group's operating results are almost entirely attributable to its property investment activities in Hong Kong. Segment assets and liabilities are based on geographical location of those assets and liabilities. Other than the interests in jointly controlled entities which are outside Hong Kong, all the group's assets and liabilities are located in Hong Kong. Accordingly, no segmental analysis is provided.

2 CHANGE IN ACCOUNTING POLICY

The group has adopted Hong Kong Accounting Standard 40 ("HKAS 40") "Investment Property" issued by the HKICPA in the consolidated financial statements retroactively from 1 April 2003 to account for its investment properties.

In prior years, investment properties were stated in the balance sheet at open market value. Buildings with either the remaining useful life or the remaining lease period of the land on which they are situated being 20 years or less were depreciated on a straight-line basis at rates calculated to write off the cost or valuation of the building over the shorter of the remaining estimated useful life of the building or the remaining lease period of the land. Surpluses and deficits arising on revaluation of investment properties were recognised on a portfolio basis. The net surplus was credited to the investment property revaluation reserve. The net deficit was first set off against any investment property revaluation reserve and any resulting debit balance was thereafter charged to the profit and loss account. Where a deficit had previously been charged to the profit and loss account and a revaluation surplus subsequently arose, this surplus was credited to the profit and loss account to the extent of the deficit previously charged.

In order to comply with HKAS 40, the group has adopted new accounting policies for investment properties as set out in notes 1(g) and 1(i). Furthermore, following the interpretation of HKAS Interpretation 21, the group calculates deferred tax based on the profits tax rate on the change in fair value of investment properties. The effect of adopting the new accounting policies was adjusted to the opening balance of 1 April 2003 in accordance with the transitional provisions of HKAS 40 and the comparative information have been restated accordingly. As a result of the adoption of the revised accounting policy, the group's profit for the year and the net assets as at 31 March 2005 have been increased by $28,425,000 (2004: decreased by $5,464,000) and decreased by $6,145,000 (2004: increased by $936,000) respectively.

3 TURNOVER

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

Turnover represents the gross rental income derived from the investment properties situated in Hong Kong.

4 OTHER REVENUE AND OTHER NET LOSS

	2005 $'000	2004 $'000
Other revenue		
Write-back of long-outstanding payables	**1,352**	–
Interest income	**1,332**	229
Management fee income	**527**	489
Rentals receivable from other assets, other than investment properties	**200**	181
Others	**494**	287
	3,905	1,186
Other net loss		
Net loss on disposals of fixed assets	**(136)**	–
Net realised loss on trading securities carried at fair value	**–**	(1,988)
Net gain on disposal of a subsidiary	**–**	10
	(136)	(1,978)

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

		2005 $'000	2004 $'000
(a)	**Finance costs:**		
	Interest on bank loans and other borrowings wholly repayable within five years	**107**	1,821
	Interest on bank loans repayable beyond five years	**2,388**	2,503
		2,495	4,324
(b)	**Staff costs (including directors' remuneration (note 7)):**		
	Salaries, wages and other benefits	**9,639**	8,101
	Contributions to retirement benefit scheme	**173**	153
		9,812	8,254
	Average number of staff during the year (including directors)	**20**	20
(c)	**Other operating expenses:**		
	Provision for amount due from jointly controlled entity	**2,400**	–
	Provision for bad and doubtful debts	**–**	1,875
		2,400	1,875
(d)	**Other items:**		
	Auditors' remuneration	**789**	604
	Depreciation	**187**	119
	Repairs and maintenance expenses of investment properties	**3,888**	1,485
	Rentals receivable from investment properties less direct outgoings of $3,893,000 (2004: $1,408,000)#	**(20,842)**	(21,984)

Direct outgoings include approximately $976,000 (2004: $210,000) incurred in relation to vacant units which did not generate any rental income during the year.

6 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

	2005	2004 (restated)
	$'000	$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**363**	828
Over-provision in respect of prior years	**(226)**	(202)
	137	626
Deferred tax		
Origination and reversal of temporary differences	**7,611**	6,273
Effect of increase in tax rate on deferred tax balances at the beginning of the year	**–**	(369)
	7,611	5,904
Share of jointly controlled entities' taxation	**(1,456)**	(142)
Total income tax expense	**6,292**	6,388

The provision for Hong Kong Profits Tax for the year ended 31 March 2005 is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year.

Income tax for jointly controlled entities established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces in the PRC. The effect of increase in tax rate on the deferred tax balances relates to the anticipated change in the tax rate applicable to a subsidiary according to the expected manner of realisation of the respective temporary differences.

The above over-provision in respect of prior years relates to final assessments received from the Inland Revenue Department for the years ended 31 March 2004 and 2005 in respect of approved deductions of certain management fees and renovation expenses incurred by a subsidiary respectively.

6 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2005	2004 (restated)
	$'000	$'000
Profit before tax	**34,227**	33,425
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**5,885**	5,787
Tax effect of non-deductible expenses	**396**	1,616
Tax effect of non-taxable revenue	**(16)**	(682)
Tax effect of unused tax losses not recognised	**253**	238
Effect on opening deferred tax balances resulting from an increase in tax rate during the year	**–**	(369)
Over-provision in respect of prior years	**(226)**	(202)
Actual tax expense	**6,292**	6,388

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Fee $'000	Basic salaries, allowances and other benefits $'000	Contributions to retirement benefit scheme $'000	Bonus $'000	Total $'000
2005					
Executive directors					
Mr. Wong Yu Lung, Charles	–	1,440	12	–	1,452
Mr. Kee Wah Sze	–	720	12	–	732
Mr. Ko Po Ming	15	45	2	–	62
Mr. Lan Ning	–	600	12	–	612
Ms. Loh Jiah Yee, Katherine	15	1,080	9	–	1,104
Independent non-executive directors					
Mr. Ip Yin Wah	31	–	–	–	31
Mr. Ma Ho Fai	120	–	–	–	120
Mr. Melvin Jitsumi Shiraki	31	–	–	–	31
Mr. Zhang Xiao Shu	210	–	–	–	210
Total	422	3,885	47	–	4,354

7 DIRECTORS' REMUNERATION (Continued)

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: (Continued)

	Fee $'000	Basic salaries, allowances and other benefits $'000	Contributions to retirement benefit scheme $'000	Bonus $'000	Total $'000
2004					
Executive directors					
Mr. Wong Yu Lung, Charles	–	1,140	12	90	1,242
Mr. Kee Wah Sze	–	720	12	60	792
Mr. Ko Po Ming	138	630	8	70	846
Mr. Lan Ning	–	420	–	40	460
Ms. Loh Jiah Yee, Katherine	–	1,240	12	100	1,352
Independent non-executive directors					
Mr. Ma Ho Fai	135	–	–	–	135
Mr. Zhang Xiao Shu	–	–	–	–	–
Total	273	4,150	44	360	4,827

The remuneration of the directors is within the following bands:

	Number of directors **2005**	2004
$Nil to $1,000,000	**7**	5
$1,000,001 to $1,500,000	**2**	2
	9	7

There were no amounts paid during 2005 (2004: $Nil) to the directors in connection with their retirement from employment with the company, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration in 2005 (2004: $Nil).

80,000,000 share options were granted to directors during the year ended 31 March 2005 (2004: Nil). Details of the share option scheme are disclosed in note 23.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the group during the year included three directors of the company (2004: four), details of whose remuneration are set out in note 7 above. The remuneration of the remaining two (2004: one) individuals is as follows:

	2005	2004
	$'000	$'000
Salaries and other emoluments	**1,784**	746
Retirement costs	**24**	12
	1,808	758

The emoluments of the two (2004: one) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2005	2004
$Nil – $1,000,000	**1**	1
$1,000,001 – $1,500,000	**1**	–
	2	1

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a loss of $5,647,000 (2004: profit of $22,780,000) which has been dealt with in the financial statements of the company.

The board of the directors of the company does not recommend the payment of a dividend in respect of the year (2004: $Nil).

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of $27,935,000 (2004: $27,037,000) and the weighted average of 1,662,440,000 (2004: 843,843,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of $27,935,000 (2004: $27,037,000) and weighted average number of 1,994,695,000 (2004: 857,547,000) ordinary shares after adjusting for the effect of all dilutive potential ordinary shares for the year ended 31 March 2005.

(c) Reconciliations

	2005 Number of shares '000	2004 Number of shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,662,440**	843,843
Effect of dilutive potential ordinary shares in respect of preference shares and convertible notes	**332,255**	13,704
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,994,695**	857,547

11 FIXED ASSETS

(a) The group

	Furniture, fixtures and other fixed assets $'000	Investment properties $'000	Total $'000
Cost or valuation:			
At 1 April 2004	561	370,450	371,011
Additions	817	4,494	5,311
Disposals	(410)	(300)	(710)
Surplus on revaluation	–	40,464	40,464
At 31 March 2005	**968**	**415,108**	**416,076**
Representing:			
Cost	968	–	968
Valuation – 2005	–	415,108	415,108
	968	**415,108**	**416,076**
Accumulated depreciation:			
At 1 April 2004	135	–	135
Charge for the year	187	–	187
Written back on disposal	(133)	–	(133)
At 31 March 2005	**189**	**–**	**189**
Net book value:			
At 31 March 2005	**779**	**415,108**	**415,887**
At 31 March 2004	426	370,450	370,876

11 FIXED ASSETS (Continued)

(b) The company

	Furniture, fixtures and other fixed assets $'000
Cost:	
At 1 April 2004	543
Additions	813
Disposals	(410)
At 31 March 2005	**946**
Accumulated depreciation:	
At 1 April 2004	131
Charge for the year	180
Written back on disposal	(133)
At 31 March 2005	**178**
Net book value:	
At 31 March 2005	**768**
At 31 March 2004	412

(c) An analysis of the net book value of properties is as follows:

The group's investment properties are situated in Hong Kong and are held under the following lease terms:

	2005 $'000	2004 $'000
Long leases	**415,000**	370,000
Medium-term leases	**108**	450
	415,108	370,450

11 FIXED ASSETS (Continued)

(d) Investment properties in Hong Kong were valued at $415,108,000 by independent professional qualified valuers, Chesterton Petty Limited ("Chesterton") who have among their Members of the Hong Kong Institute of Surveyors and the valuations have been incorporated in the financial statements as at 31 March 2005. Chesterton has recent experience in the locations and categories of properties being valued. The valuations were performed on an open market value basis by reference to the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. No allowance has been made in the valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale.

(e) Certain of the above investment properties with an aggregate carrying value of $415,000,000 (2004: $370,000,000) have been pledged to a bank for certain bank loans (note 18).

(f) 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 generally require the tenants to place rental deposits and provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases includes contingent rentals.

At 31 March 2005, the group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The group	
	2005	2004
	$'000	$'000
Within one year	**22,496**	15,442
After one year but within five years	**6,262**	1,917
	28,758	17,359

12 INTEREST IN SUBSIDIARIES

	The company	
	2005	2004
	$'000	$'000
Unlisted shares, at cost	**197,075**	197,075
Amounts due from subsidiaries	**201,830**	121,845
	398,905	318,920
Less: impairment losses	**(9,075)**	(4,965)
	389,830	313,955

The company has an amount due to a subsidiary of $33,430,000 as at 31 March 2005 (2004: $32,232,000), which is unsecured, interest free and has no fixed terms of repayment.

Additional provision for impairment losses amounted to $4,110,000 is mainly due to the impairment loss for the company's investment in Perfect Honour Limited ("Perfect Honour") after taking into consideration the net deficiency of Perfect Honour's assets as at 31 March 2005.

(Expressed in Hong Kong dollars)

12 INTEREST IN SUBSIDIARIES (Continued)

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the consolidated financial statements.

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the company	Proportion of nominal value of issued capital/registered capital held by a subsidiary	Principal activities
Apex Honour Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Property investment
Dragon Express Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Flourish Global Limited	British Virgin Islands	US$1	100%	–	Investment holding
Genuine Glory Investments Limited	Hong Kong	$2	100%	–	Property investment
Master Profit Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Metro Fair Investments Limited	Hong Kong	$2	–	100%	Property holding
On Speed Management Limited	Hong Kong	$2	100%	–	Property management
Perfect Honour Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Perfect Manor Limited ("Perfect Manor")	Hong Kong	$2	–	100%	Property investment
Sino Dynasty Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding

Ordinary shares of Perfect Manor with a carrying amount of $2 have been pledged to a bank for certain bank loans (note 18).

13 INTEREST IN ASSOCIATE

	The group	
	2005	2004
	$'000	$'000
Share of net assets	**29,280**	–

Particulars of the associate at 31 March 2005 are as follows:

			Proportion of nominal value of issued capital/ registered capital		
Name of associate	**Place of incorporation/ operations**	**Issue and fully paid capital**	**group's effective interest**	**held by a subsidiary**	**Principal activity**
Goldbond Capital Holdings Limited ("GCHL")*	Hong Kong	$150,000,000	20%	20%	Investment holding

* The associate has a financial year ending 31 December.

The above summary lists the principal associate of the group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

14 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The group 2005 $'000	2004 $'000
Share of net assets	**54,658**	57,856
Goodwill on acquisition	**34,668**	34,668
Amounts due from jointly controlled entities	**50,938**	10,063
	140,264	102,587
Less: provision for amount due from jointly controlled entity	**(2,400)**	–
	137,864	102,587
Portion classified as current assets	**(11,315)**	(10,063)
	126,549	92,524

(a) Particulars of jointly controlled entities at 31 March 2005 are as follows:

Name of jointly controlled entities	Place of incorporation/ operations	Issue and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital: group's effective interest	Proportion of nominal value of issued capital/ registered capital: held by a subsidiary	Principal activities
Ace Intelligent Consultants Limited	British Virgin Islands/ Hong Kong	US$100	25%	25%	Provision of consultancy service
Nanjing City Plaza Construction Co., Ltd.* 南京國際商城建設有限公司* ("Nanjiang City Plaza")	The PRC	US$10,000,000	25%	25%	Investment holding
Rongzhong Group Limited	British Virgin Islands/ Hong Kong	US$100	40%	40%	Investment holding

* An equity joint venture established in the PRC. This jointly controlled entity and its subsidiaries have a financial year ending 31 December.

14 INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(a) (Continued)

The above summary lists the principal jointly controlled entities of the group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

(b) The consolidated financial information of Nanjing City Plaza and its subsidiaries as extracted from its financial statements with a year end date of 31 December, after adjustments made to realign and to be co-terminous with the group's year end date of 31 March, are summarised below:

	Year ended 31 March	
	2005	2004
	$'000	$'000
	equivalents	equivalents
Income	**–**	–
Net loss attributable to shareholders	**(12,820)**	(15,323)

	At 31 March	
	2005	2004
	$'000	$'000
	equivalents	equivalents
Assets and liabilities		
Non-current assets	**283,525**	286,447
Current assets	**1,129,994**	945,965
Current liabilities	**(485,042)**	(330,857)
Non-current liabilities	**(459,563)**	(435,377)
Minority interests	**(250,306)**	(234,750)
	218,608	231,428

Included in current liabilities and non-current liabilities are bank loans, shareholders' loans and other borrowings totalling RMB540,148,000 (2004: RMB335,000,000) which are secured by the following items:

(i) Certain cash and bank balances of Nanjing City Plaza and its subsidiaries amounted to RMB231,100,000 (2004: RMB202,375,000) were pledged to banks as security for bank loans amounted to RMB220,000,000 (2004: RMB190,000,000).

14 INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(b) (Continued)

(ii) Certain bank loans and shareholders' loans of an aggregate amount of RMB139,148,000 (2004: RMB15,000,000) were subject to a charge over the shares of Nanjing International Group Company Limited ("Nanjing International Group") in which Nanjing City Plaza owns a 66.96% equity interest. Of these bank loans, RMB124,148,000 (2004: RMB Nil) were further secured by the entire equity interest of Nanjing City Plaza owned by the group and its other shareholders and the dividends, profits and other monies derived therefrom.

(iii) Certain parts of properties under development with an aggregate carrying value of RMB959,554,000 (2004: RMB770,992,000) were used to secure bank loans and other borrowings of aggregate amount of RMB181,000,000 (2004: RMB130,000,000). Of these bank loans, RMB118,000,000 (2004: RMB118,000,000) were guaranteed by certain directors of Nanjing City Plaza and Nanjing International Group.

As at 31 March 2005, Nanjing City Plaza and its subsidiaries have capital commitments for construction of properties under development amounted to RMB602,856,000 (equivalent to approximately $568,732,000) (2004: RMB678,103,000 and equivalent to approximately $639,720,000). The group's share of the capital commitments amounted to RMB150,714,000 (equivalent to approximately $142,183,000) (2004: RMB169,526,000, equivalent to approximately $159,930,000).

During the year ended 31 March 2004, the group entered into a shareholders' loan agreement with Nanjing City Plaza. Pursuant to the agreement, the group advanced a sum of $10,000,000 to Nanjing City Plaza at an interest rate of 2% per annum above the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate"). The amount is unsecured and repayable on demand. At the balance sheet date, the outstanding loan and interest receivable from Nanjing City Plaza amounted to $10,000,000 (2004: $10,000,000) and approximately $764,000 (2004: $63,000) respectively.

(c) A direct wholly-owned subsidiary of Rongzhong Group Limited (the "Management Company") has entered into a management agreement (the "Management Agreement") with Rongzhong Investment Company Limited (the "Investment Company") for the provision of management services to the Investment Company and its subsidiaries (collectively known as the "Investment Group"). The Investment Group provides loan guarantee services for individuals in various cities of the PRC. Pursuant to the Management Agreement, the entire control of the Investment Group is transferred to the Management Company from 1 January 2005 to 28 February 2035.

In accordance with the Management Agreement, Rongzhong Group Limited is granted an option to acquire the entire equity interest of the Investment Company at a consideration equivalent to the nominal value of its share capital on the date of the Management Agreement.

14 INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(c) (Continued)

Pursuant to a share pledge agreement entered into between the Management Company and shareholders of the Investment Company, the entire equity interest of the Investment Company has been pledged as security for a loan from the Management Company to a shareholder of the Investment Company. Proceeds of the loan were used for financing the Investment Group.

The consolidated financial information of Rongzhong Group Limited and its subsidiaries, together with the Investment Group, as extracted from its financial statements with a year end date of 31 December, after adjustments made to realign and to be co-terminous with the group's year end date of 31 March, are summarised below:

	For the period from 21 December 2004 (date of acquisition) to 31 March 2005 $'000 equivalents
Income	**242**
Net loss attributable to shareholders	**(5,259)**

	At 31 March 2005 $'000 equivalents
Assets and liabilities	
Non-current assets	**629**
Current assets	**55,892**
Current liabilities	**(3,309)**
Non-current liabilities	**(58,491)**
	(5,279)

Included in non-current liabilities are the loan advanced from the group as disclosed below and a loan from another shareholder of RMB20,000,000 (equivalent to approximately $18,868,000).

At 31 March 2005, Rongzhong Group Limited and its subsidiaries had commitments to acquire certain PRC subsidiaries for a consideration of RMB37,000,000 (equivalent to approximately $34,906,000). The group's share of these commitments amounted to RMB14,800,000 (equivalent to approximately $13,962,000) (2004: $Nil).

14 INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(c) (Continued)

Rongzhong Group Limited and its subsidiaries had contingent liabilities in relation to provision of guarantee services of RMB1,995,000 (equivalent to approximately $1,882,000) as at 31 March 2005. The group's share of these contingent liabilities is RMB798,000 (equivalent to approximately $753,000) according to its share of equity interest in Rongzhong Group Limited (2004: $Nil).

Pursuant to a subscription agreement dated 1 November 2004 (the "Subscription Agreement"), the group has undertaken to the other parties to the Subscription Agreement to advance to Rongzhong Group Limited a loan of RMB42,000,000 (equivalent to approximately $39,623,000) at an annual interest rate equivalent to the Prime Rate. The loan is unsecured with principal repayable in two years, or such later date as may be agreed by the group. The interest is repayable on 30 June and 31 December. At the balance sheet date, the gross amounts of the outstanding loan and interest receivable from Rongzhong Group Limited amounted to $39,623,000 and approximately $551,000 respectively, and provision for bad and doubtful debts amounted to $2,400,000.

15 OTHER INVESTMENTS

	The group		**The company**	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Investment in unlisted funds	**–**	11,700	**–**	–
Club debentures	**3,000**	3,000	**3,000**	3,000
	3,000	14,700	**3,000**	3,000

The group's investment in unlisted funds as at 31 March 2004 represent subscriptions for 12 investment units in Gobi Fund, a venture capital fund focusing on early stage investments in digital media business, such as telecommunications, internet and broadcasting in the PRC.

Pursuant to the sale and purchase agreement dated 28 February 2005, the group disposed of its 12 investment units in Gobi Fund at their carrying value to an independent third party (the "Purchaser") at a consideration of $11,700,000 together with any further payments which may be demanded up to 30 December 2005. In this connection, the group received a payment of $5,850,000 and agreed to receive the remaining payment not later than 30 December 2005. The respective capital commitments have been transferred to the Purchaser as noted in note 27.

Club debentures held were revalued by the directors during the year taking into account the prevailing saleable value of the debentures and is after deduction of renomination fee and other direct expenses.

16 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Accounts receivable	**290**	655	**–**	–
Prepayments, deposits and other receivables	**8,944**	1,091	**148**	135
	9,234	1,746	**148**	135

The group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. An ageing analysis of accounts receivable based on invoice dates, net of provisions for doubtful debts, is as follows:

	The group	
	2005	2004
	$'000	$'000
Outstanding balances aged:		
– Within 1 month	**221**	451
– More than 1 month but less than 3 months	**69**	185
– Over 3 months	**–**	19
	290	655

All of the trade and other receivables are expected to be recoverable within one year.

During the year, the group disposed of its 12 investment units in Gobi Fund at a consideration equivalent to its carrying amount of $11,700,000 on the transaction date, together with any further payments which may be demanded up to 30 December 2005. As at 31 March 2005, the disposal proceeds amounted to $8,190,000, representing the remaining consideration together with additional contributions made to Gobi Fund receivable from the Purchaser, is to be received on or before 30 December 2005 as disclosed in note 15.

17 CASH AND CASH EQUIVALENTS

	The group		The company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**7,306**	9,583	**3,530**	6,725
Bank deposits	**6,008**	–	**6,008**	–
	13,314	9,583	**9,538**	6,725

18 INTEREST-BEARING BANK LOANS

	The group	
	2005	2004
	$'000	$'000
Secured bank loans	**177,992**	190,765
Portion classified as current liabilities	**(13,412)**	(12,773)
Non-current portion	**164,580**	177,992
Bank loans are repayable:		
– Within one year	**13,412**	12,773
– In the second year	**13,574**	13,412
– In the third to fifth year, inclusive	**40,722**	40,722
– Beyond five years	**110,284**	123,858
	177,992	190,765

At 31 March 2005, a subsidiary borrowed bank loans which were secured by the following:

– certain investment properties of the group with an aggregate carrying value of $415,000,000 (2004: $370,000,000) (note 11(e));

– an assignment of the rental income derived therefrom;

– a charge over the shares of Perfect Manor (note 12), together with the subordination of the company's loans to Perfect Manor; and

– a corporate guarantee of $200,000,000 issued by the company (note 30).

At 31 March 2005, the group had a banking facility of $66,000,000 (2004: $36,000,000) granted by a bank in Hong Kong, which is secured by pledged deposits totalling US$2,563,000 (equivalent to approximately $20,005,000) (2004: $20,000,000) plus its interest thereupon. The banking facility was not utilised at 31 March 2005 (2004: $Nil).

19 AMOUNT DUE TO A RELATED COMPANY

Amount due to a related company was an unsecured loan of $11,696,000 obtained from a related company, which is under common directorship. The loan borne interest at a rate of 3% per annum was fully settled on 14 July 2004.

20 OTHER PAYABLES AND ACCRUALS

Other payables and accruals expected to be settled after more than one year is $2,390,000 (2004: $1,429,000).

21 CONVERTIBLE NOTES

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

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

The convertible notes were issued to finance the group's investment in jointly controlled entities and associate.

22 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The group	
	2005	2004
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**363**	828
Provisional Profits Tax paid	**(674)**	(895)
Amount of taxation recoverable	**(311)**	(67)

The above amounts are expected to be settled within one year.

22 INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax liabilities recognised:

Deferred tax liabilities recognised in the consolidated balance sheet represent depreciation allowances in excess of related depreciation and revaluation of certain investment properties. Movements in net deferred tax liabilities during the year are as follows:

	The group	
	2005	2004 (restated)
	$'000	$'000
At 1 April		
– as previously reported	**2,908**	2,468
– prior period adjustments arising from change in accounting policy in deferred tax arising on revaluation of certain investment properties	**(936)**	(6,400)
– as restated	**1,972**	(3,932)
Charged to consolidated profit and loss account	**7,611**	5,904
At 31 March	**9,583**	1,972

Analysis of net deferred tax liabilities:

	The group	
	2005	2004 (restated)
	$'000	$'000
Depreciation allowances in excess of related depreciation of furniture, fixtures and other fixed assets	**1**	2
Investment properties	**9,582**	1,970
	9,583	1,972

(c) Deferred tax assets not recognised:

	The group		The company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Tax losses	**111,728**	103,656	**107,211**	98,646

The group and the company have not recognised deferred tax assets in respect of the future benefit of tax losses as it is not probable that the group and the company will generate sufficient future taxable profits against which the accumulated tax losses may be off-set in the foreseeable future. The tax losses do not expire under the current tax legislation.

23 SHARE OPTION SCHEME

The company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, including the company's directors and other eligible participants of the group. The Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 29 August 2003, amendments were made to give clarity to the Scheme.

The maximum number of shares which may be issued upon exercise of all outstanding options granted but not yet exercised under the Scheme and any other share option scheme shall not in aggregate exceed 30 percent of the shares in issue of the company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme must not in aggregate exceed 10 percent of shares in issue as at the date of approval of the Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the company for the time being.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with $1 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the date upon which the option is granted and accepted and ends on the expiry date of the option as may be determined by the directors, which shall not be later than ten years after the date of offer.

The subscription price of a share option is determined by the directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

(a) Movements in share options

	2005 Number '000	2004 Number '000
At 1 April 2004/2003	**–**	–
Granted	**131,000**	–
At 31 March 2005/2004	**131,000**	–
Options vested at 31 March	**–**	–

The options are to be vested on 1 January 2007.

23 SHARE OPTION SCHEME (Continued)

(b) Details of share options granted during the year for consideration of $1 per grantee and are unexpired and unexercised at balance sheet date

Date granted	Exercise period	Exercise price	2005 Number '000	2004 Number '000
8 November 2004	1 January 2007 to 7 November 2014	$0.148	**131,000**	–

24 SHARE CAPITAL

Shares

	Note	2005 Number of shares '000	2005 Amount $'000	2004 Number of shares '000	2004 Amount $'000
Authorised:					
Ordinary shares of $0.10 each	(a)	**25,000,000**	**2,500,000**	25,000,000	2,500,000
'A' Redeemable Convertible Preference Shares of $0.10 each	(a)	**40,000**	**4,000**	40,000	4,000
'B' Redeemable Convertible Preference Shares of $0.10 each	(a)	**28,400**	**2,840**	28,400	2,840

24 SHARE CAPITAL (Continued)

Shares (Continued)

		Ordinary shares		'A' Redeemable Convertible Preference Shares		'B' Redeemable Convertible Preference Shares		
	Note	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000	Total $'000
Issued and fully paid:								
At 1 April 2003		3,314,880	828,720	400,000	100,000	284,000	71,000	999,720
Capital Reduction	(a)	(2,983,392)	(795,571)	(360,000)	(96,000)	(255,600)	(68,160)	(959,731)
Open Offer Shares issued	(b)	1,325,952	132,595	–	–	–	–	132,595
Consideration Shares issued	(c)	5,000	500	–	–	–	–	500
At 31 March 2004		1,662,440	166,244	40,000	4,000	28,400	2,840	173,084
At 1 April 2004/ 31 March 2005		**1,662,440**	**166,244**	**40,000**	**4,000**	**28,400**	**2,840**	**173,084**

Notes:

(a) On 11 April 2003, special resolutions were passed at an extraordinary general meeting of the company to implement a capital reorganisation which was approved by the Court on 26 June 2003, which involved a reduction of the issued ordinary share capital of the company of $828,720,000 divided into 3,314,880,000 ordinary shares of $0.25 each to $33,148,800 divided into 3,314,880,000 ordinary shares of $0.01 each and the issued preference share capital of $171,000,000 divided into 684,000,000 preference shares of $0.25 each to $6,840,000 divided into 684,000,000 preference shares of $0.01 each (the "Capital Reduction").

The following matters took immediate effect after the Capital Reduction:

(i) sub-dividing each authorised but unissued ordinary share of $0.25 into 25 ordinary shares of $0.01 each;

(ii) increasing the authorised ordinary share capital to $2,500,000,000 by the creation of not less than 79,557,120,000 new ordinary shares of $0.01 each; and

(iii) consolidating the 250,000,000,000 ordinary shares of $0.01 each and the 684,000,000 preference shares of $0.01 each into 25,000,000,000 ordinary shares of $0.10 each and 68,400,000 preference shares of $0.10 each respectively.

(b) On 22 December 2003, the company raised additional ordinary share capital at par of $132,595,000 divided into 1,325,952,000 ordinary shares of $0.10 each by an Open Offer (the "Open Offer Shares") on the basis of four Open Offer Shares for every existing ordinary share held by the qualifying shareholders. The proceeds of $132,595,000, before the share issue expenses of $1,010,000 (note 25), were credited to the company's share capital.

(c) Pursuant to an agreement with the shareholder of Nanjing City Plaza to acquire a 25% equity interest of Nanjing City Plaza, the company issued, as part of the consideration of such acquisition, 5,000,000 ordinary shares (the "Consideration Shares") at a price of $0.20 each on 27 February 2004. The price of the Consideration Shares was determined with reference to the closing price of the company's ordinary shares on the Stock Exchange on 28 November 2003.

(Expressed in Hong Kong dollars)

24 SHARE CAPITAL (Continued)

Shares (Continued)

Redeemable Convertible Preference Shares

The Preference Shares carry no right to dividend distributions to the holders. The Preference Shares carry a right to be converted into fully paid ordinary shares at initial conversion prices of $0.36, $0.60 and $1.00 during Conversion Periods I, II and III, respectively, as set out below.

	'A' Redeemable Convertible Preference Shares	'B' Redeemable Convertible Preference Shares
Conversion period I	not more than $1,333,332 equivalent nominal value shall become convertible within a period of 12 months from the date of issue	not more than $946,665 equivalent nominal value shall become convertible within a period of 12 months from the date of issue
Conversion period II	not more than $1,333,332 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue	not more than $946,665 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue
Conversion period III	the balance of $1,333,336 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue	the balance of $946,670 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue

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 the redemption value of $10.00 per Preference Share.

Upon full conversion of the Preference Shares into ordinary shares of the company at the predetermined conversion price set out above, an aggregate of approximately 12,413,326 ordinary shares of the company would be issued, which represents approximately 0.75% of the company's existing issued share capital of 1,662,440,000 ordinary shares and approximately 0.74% of the company's enlarged share capital of 1,674,853,326.

The conversion rights of the Preference Shares lapsed with no conversion or redemption of Preference Shares during the year.

25 RESERVES

The group

	Share premium (note (a))	Investment revaluation reserve	General reserve	Capital reserve (note (b))	Special capital reserve (note (c))	Accumulated (losses)/ profits (note (d)) (restated)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2003							
– as previously reported	98,223	3,000	6,000	5,000	–	(976,452)	(864,229)
– prior year adjustments:							
– depreciation allowances in excess of related depreciation	–	–	–	–	–	(2,468)	(2,468)
– revaluation of certain investment properties (note 2)	–	–	–	–	–	6,400	6,400
– as restated	98,223	3,000	6,000	5,000	–	(972,520)	(860,297)
Capital Reduction (note 24)	–	–	–	–	64,788	894,943	959,731
Share issue expenses (note 24)	(1,010)	–	–	–	–	–	(1,010)
Consideration Shares issued (note 24)	500	–	–	–	–	–	500
Profit for the year (as restated)	–	–	–	–	–	27,037	27,037
At 31 March 2004	97,713	3,000	6,000	5,000	64,788	(50,540)	125,961
At 1 April 2004							
– as previously reported	97,713	3,000	6,000	5,000	64,788	(51,476)	125,025
– prior year adjustments:							
– revaluation of certain investment properties (note 2)	–	–	–	–	–	936	936
– as restated	97,713	3,000	6,000	5,000	64,788	(50,540)	125,961
Transfer between reserves	–	–	–	–	(64,788)	64,788	–
Profit for the year	–	–	–	–	–	27,935	27,935
At 31 March 2005	**97,713**	**3,000**	**6,000**	**5,000**	**–**	**42,183**	**153,896**

25 RESERVES (Continued)

The company

	Share premium (note (a)) $'000	Investment revaluation reserve $'000	General reserve $'000	Special capital reserve (note (c)) $'000	Accumulated (losses)/ profits $'000	Total $'000
At 1 April 2003	98,223	3,000	6,000	–	(971,377)	(864,154)
Capital Reduction (note 24)	–	–	–	64,788	894,943	959,731
Share issue expenses (note 24)	(1,010)	–	–	–	–	(1,010)
Consideration Shares issued (note 24)	500	–	–	–	–	500
Profit for the year	–	–	–	–	22,780	22,780
At 31 March 2004	97,713	3,000	6,000	64,788	(53,654)	117,847
At 1 April 2004	97,713	3,000	6,000	64,788	(53,654)	117,847
Transfer between reserves	–	–	–	(64,788)	64,788	–
Loss for the year	–	–	–	–	(5,647)	(5,647)
At 31 March 2005	**97,713**	**3,000**	**6,000**	**–**	**5,487**	**112,200**

Notes:

(a) Share premium

The application of the share premium reserve is governed by Section 48B of the Hong Kong Companies Ordinance.

(b) Capital reserve

Negative goodwill in respect of acquisitions made prior to 1 April 2001 was credited directly to the capital reserve. The remaining negative goodwill included in the capital reserve will not be released to the profit and loss account unless the respective subsidiaries are disposed of by the group (note 1(e)).

(c) Special capital reserve

During the year, the special capital reserve of $64,788,000 was transferred to the accumulated profits of the company upon the fulfilment of conditions set out in the court order issued by The High Court of Hong Kong in June 2003.

(d) Accumulated profits

Included in the accumulated profits as at 31 March 2005 was a loss of $3,456,000 (2004: $258,000) and $1,351,000 (2004: $Nil) attributable to the group's jointly controlled entities and the associate respectively.

(e) The distributable reserves at 31 March 2005 amounted to $5,487,000 (2004: $Nil).

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Subsidiary disposed of

	2004
	$'000
Net liabilities disposed of:	
Creditors and accrued charges	–
Satisfied by:	
– Cash consideration	10

(b) Non-cash transaction

During the year, the company issued convertible notes of $30,000,000 as consideration for the acquisition of an interest in associate, details of which are disclosed in notes 13 and 21.

27 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2005 not provided for in the financial statements were as follows:

	Note	**2005**	2004
		$'000	$'000
Contracted, but not provided for			
The group			
Acquisition of other investments	(i)	**15,210**	35,100
Acquisition of a subsidiary	(ii)	**–**	400,000
		15,210	435,100
The company			
Acquisition of a subsidiary	(ii)	**–**	400,000

27 COMMITMENTS (Continued)

Notes:

(i) On 11 December 2003, the group entered into a subscription agreement with Gobi Fund Inc. and Gobi Partners, Inc. and agreed to subscribe for 12 investment units of Gobi Fund at an aggregate consideration of US$6,000,000 (equivalent to approximately $46,800,000).

Pursuant to the sale and purchase agreement as disclosed in note 15, the group agreed to make capital contribution in response to meeting any calls for subscribing 6 investment units of the Gobi Fund during the period up to 30 December 2005. Any such contribution made by the group is to be reimbursed by the Purchaser.

(ii) In 2000, the group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited, a company incorporated in the British Virgin Islands, at a consideration of $400,000,000.

During the year, the company obtained legal advice from the company's legal advisor who confirmed that the above-mentioned agreement has lapsed.

(b) At 31 March 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2005	2004
	$'000	$'000
The group and the company		
Within 1 year	**41**	33
The group's share of operating lease commitments of the jointly controlled entities		
Within 1 year	**755**	213
After 1 year but within 5 years	**1,798**	350
Over 5 years	**13**	–
	2,566	563

28 RETIREMENT BENEFIT SCHEME

The group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the group and administered by an independent trustee. Under the MPF Scheme, the group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees.

29 MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions, which the directors consider material to the group during the year, are summarised as follows:

	Note	**2005** **$'000**	2004 $'000
Subscription of the Open Offer Shares	(a)	**–**	64,816
Issue of convertible notes	21	**100,000**	–
Disposal of fixed assets		**141**	–
Legal and professional fee paid to related companies		**850**	834
Rental expenses paid to a related company		**531**	219
Interest income from jointly controlled entities	(b)	**1,252**	63
Interest expense to a related company	(b)	**101**	351

Notes:

(a) During the year ended 31 March 2004, the company issued additional ordinary shares of $132,595,000 by issuing 1,325,952,000 Open Offer Shares (note 24(b)). The Open Offer was under-subscribed. Ace Solomon Investments Limited and Allied Luck Trading Limited, companies under common directorship, subscribed for the under-subscribed approximately 648,160,000 shares at par value of $0.10 each.

(b) Balances with related parties at 31 March 2005 are included in amounts due from/to the respective parties in the balance sheets. These balances are interest free and have no fixed terms of repayment, except those disclosed in notes 14 and 19.

30 CONTINGENT LIABILITIES

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

(i) The group has given a guarantee of RMB8,750,000 (equivalent to approximately $8,255,000) in respect of banking facilities of RMB40,000,000 (equivalent to approximately $37,736,000) granted to a jointly controlled entity. Such banking facility was not utilised during the year.

(ii) The company has given a guarantee of US$3,750,000 (equivalent to approximately $29,250,000) in respect of banking facility granted to a jointly controlled entity, the group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities as disclosed in note 14(b)(ii).

(iii) The company has given a guarantee to a bank to secure a bank loan as disclosed in note 18.

31 POST BALANCE SHEET EVENTS

(i) Subsequent to the balance sheet date, the company entered into funding, allocation and distribution agreements in respect of a new bank loan amounting to RMB148,977,000 (equivalent to approximately $140,544,340) borrowed by a jointly controlled entity.

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

(ii) Subsequent to the balance sheet date, the group entered into an acquisition agreement (the "Acquisition Agreement") with a shareholder of Rongzhong Group Limited, the group's jointly controlled entity. Pursuant to the Acquisition Agreement, the group acquired an additional 11% equity interest in Rongzhong Group Limited at a consideration of US$11 (equivalent to approximately $86). Immediately after the completion of the Acquisition Agreement, the group's equity interest in Rongzhong Group Limited increased from 40% to 51%.

As a condition precedent to the Acquisition Agreement, the group entered into a loan agreement (the "Loan Agreement") with Rongzhong Group Limited. The group agreed to advance a loan of up to $17,000,000 to Rongzhong Group Limited at an interest rate of 2% per annum above the best lending rate offered by The Hongkong and Shanghai Banking Corporation Limited. Subject to an overriding right to demand full repayment, the loan is unsecured with principal repayable in full within 24 months from the date of the Loan Agreement and interest repayable half-yearly.

32 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of a change in accounting policies in deferred tax arising on the revaluation of investment properties in order to comply with HKAS 40 "Investment Property", details of which are set out in note 2.

Certain figures in the consolidated profit and loss account have been reclassified to conform with the current year's presentation.

33 RECENTLY ISSUED ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005, apart from HKAS 40 "Investment Property" as disclosed in note 2 of the financial statements. The group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Five-year Financial Summary

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 March				
	2005	2004	2003	2002	2001
			(Note)	(Note)	(Note)
		(restated)	(restated)		
	$ Million	$ Million	$ Million	$ Million	$ Million
Turnover	**24.7**	23.4	23.2	23.1	23.2
Profit/(loss) from ordinary activities before taxation	**34.2**	33.4	(71.0)	(79.0)	(1,124.3)
Income tax	**(6.3)**	(6.4)	1.2	–	(0.1)
Profit/(loss) attributable to shareholders	**27.9**	27.0	(69.8)	(79.0)	(1,124.4)

ASSETS AND LIABILITIES

	As at 31 March				
	2005	2004	2003	2002	2001
			(Note)	(Note)	(Note)
		(restated)	(restated)		
	$ Million	$ Million	$ Million	$ Million	$ Million
Total assets	**628.9**	519.5	366.9	482.9	591.1
Total liabilities	**(301.9)**	(220.5)	(227.5)	(355.8)	(698.7)
Net assets/(liabilities)	**327.0**	299.0	139.4	127.1	(107.6)

Note: Figures for the year ended 31 March 2003 have been adjusted in order to comply with the new accounting policy for investment properties. It is not practicable to restate earlier years for comparison purposes.

Major Properties

Particulars of major properties as at 31 March 2005 are as follows:

A. INVESTMENT PROPERTIES

Location	Inland lot number	Tenure of lease	Group's interest	Existing use
Various shop units on the basement, ground, first, second and third floors and the exterior walls of Golden Plaza 745-747 Nathan Road Mongkok Kowloon Hong Kong	23,380/27,452nd shares of and in Section A, Section B and the remaining portion of Kowloon Inland Lot No. 2087 and Kowloon Inland Lot No. 2169	Long term	100%	Retail shops

B. PROPERTIES UNDER DEVELOPMENT

Location	Site area (square meter)	Gross floor area (square meter)	Use	Stage of completion	Expected date of completion	Group's effective interest
Nanjing International Center Tongjia Avenue (North) Zhongyanlu (West) Zhongyanmen Jiedao Gulou District Nanjing the PRC	32,481	Phase I – 227,000	Residential	Superstructure in progress	2006	16.74%
			Office	Superstructure in progress		
			Hotel	Superstructure in progress		
			Shopping mall	Superstructure completed		
		Phase II – 218,000	Office and hotel	Planning stage	2009	16.74%