THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Goldbond Group Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

(incorporated in Hong Kong with limited liability)

MAJOR TRANSACTION
ACQUISITION OF 25% INTEREST IN
NANJING CITY PLAZA CONSTRUCTION CO., LTD.

Financial adviser to Goldbond Group Holdings Limited

GOLDBOND CAPITAL (ASIA) LIMITED

A notice convening an extraordinary general meeting to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, at 10:00 a.m. on 9 January 2004 is set out on page 108 to this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

24 December 2003

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"'A' Preference Share(s)"	the non-interest bearing redeemable convertible preference share(s) of par value HK$0.10 each in the existing preference share capital of the Company issued and allotted on 18 September 2001
"Ace Solomon"	Ace Solomon Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 11% by Mr. Wong, 46% by Mr. Kee and 43% by Ms. Loh, and is one of the underwriters of the Open Offer
"Announcement"	the announcement made by the Company on 3 December 2003 regarding, inter alia, the Proposed Acquisition
"associates"	shall have the same meaning as defined in the Listing Rules
"'B' Preference Share(s)"	the non-interest bearing redeemable convertible preference share(s) of par value HK$0.10 each in the existing preference share capital of the Company issued and allotted on 18 September 2001
"Board"	the board of Directors
"Business Day"	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
"Company"	Goldbond Group Holdings Limited, a company duly incorporated under the laws of Hong Kong and the ordinary shares of which are listed on the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Interest
"Condition(s)"	the condition(s) precedent of Completion
"Conditions Fulfilment Date"	the date on which the Conditions are fulfilled but in any event no later than 31 January 2004 or such later date as the Purchasers and the Vendor may agree in writing
"Consideration"	the WL Consideration and the SD Consideration

"Consideration Shares"	5,000,000 new Shares to be issued by the Company in favour of the Vendor on Completion pursuant to the S&P Agreement
"Deposit"	the sum of HK$100,000,000, being the refundable deposit paid by Wah Link to the Vendor upon the execution of the S&P Agreement
"Director(s)"	the director(s) of the Company, including the independent non-executive Directors
"EGM"	the extraordinary general meeting of the Company to be convened at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10 a.m. on 9 January 2004 to consider and, if thought fit, approve the S&P Agreement and the transactions contemplated thereunder, notice of which is set out on page 108 of this circular
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	22 December 2003, being the latest practicable date prior to the printing of this circular for the purpose of ascerianing certain information for inclusion in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Kee"	Mr. Kee Wah Sze, an executive Director
"Mr. Wong"	Mr. Wong Yu Lung, Charles, an executive Director and a substantial Shareholder, beneficially owns a 50% interest in Allied Luck Trading Limited, a company incorporated in the British Virgin Islands with limited liability which is holding 30% of the Company's issued ordinary share capital as at the date of this circular; the remaining portion of 50% interest in Allied Luck Trading Limited is owned by Mrs. Wong. Mr. Wong is also one of the shareholders of Ace Solomon

"Mrs. Wong"	Mrs. Wong Fan Pik Chun, the spouse of Mr. Wong
"Ms. Loh"	Ms. Loh Jiah Yee, Katherine, an executive Director
"Nanjing City Plaza"	南京國際商城建設有限公司(Nanjing City Plaza Construction Co., Ltd.*), a sino-equity joint venture duly established in accordance with the laws of the PRC having a registered capital of US$10,000,000, which is owned as to 98% by the Vendor and as to the remaining 2% by 珠海經濟特區南華有限公司(Zhuhai Special Economic Region South China Limited*), an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates
"Nanjing Group"	Nanjing City Plaza and its subsidiaries
"Nanjing International"	南京國際集團股份有限公司 (Nanjing International Joint Stock Limited Liability Company*) a joint stock limited liability company incorporated under the laws of the PRC having a registered capital of RMB271,237,500 with 51% of the entire equity interest beneficially owned by Nanjing City Plaza and the remaining 49% equity interest beneficially owned by various shareholders which are independent third parties not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates
"Nanjing Project"	南京國際商城一期項目(World Trade and Exhibition Centre (Nanjing) Phase I Project*) and 南京國際商城二期項目(World Trade and Exhibition Centre (Nanjing) Phase II Project*)
"New Nanjing International Shares"	100,000,000 new shares of par value RMB1.00 each in Nanjing International to be subscribed by Nanjing City Plaza at subscription price of RMB1.60 each pursuant to the S&P Agreement
"Open Offer"	the open offer of the Company to qualifying shareholders of 1,325,952,000 offer shares on the basis of four offer shares for every existing Shares held in the ordinary share capital of the Company at a subscription price of

	HK$0.10 per offer share payable in full on acceptance, as more particularised in the circular of the Company dated 12 November 2003, the application of which was closed on 15 December 2003
"PRC"	the People's Republic of China
"PRC Authorities"	南京市對外貿易經濟委員會(the Nanjing Municipal Foreign Trade and Economic Commission*) or such other PRC government or regulatory body as may be appropriate for the purposes of obtaining the approvals
"PRC GAAP"	generally accepted accounting principles in the PRC
"Preference Share(s)"	'A' Preference Share(s) and 'B' Preference Share(s)
"Proposed Acquisition"	the proposed acquisition of the SD Sale Interest by Sino Dynasty from the Vendor pursuant to the S&P Agreement
"Purchasers"	Sino Dynasty and Wah Link
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	the SD Sale Interest and the WL Sale Interest
"SD Consideration"	the sum of HK$91,000,000, being the consideration payable by Sino Dynasty to Vendor for the acquisition of the SD Sale Interest subject to the terms of the S&P Agreement which is to be satisfied as to HK$90,000,000 in cash and as to HK$1,000,000 by the issue of the 5,000,000 Consideration Shares
"SD Sale Interest"	a 25% interest in the registered capital of Nanjing City Plaza as at Completion, to be acquired by Sino Dynasty subject to and pursuant to the terms of the S&P Agreement
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the ordinary Shares

"Sino Dynasty"	Sino Dynasty Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially wholly owned by the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"S&P Agreement"	the conditional sale and purchase agreement dated 1 December 2003 entered into between the Purchasers, the Vendor and Mr. Wang Boyang in respect of the Proposed Acquisition, as supplemented by the supplemental agreements dated 1 December 2003 and as of 3 December 2003 respectively
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"US$"	US dollars, the lawful currency of the United States of America
"Vendor"	Y&W Holdings Limited, a limited liability company incorporated in the British Virgin Islands which is beneficially wholly owned by Mr. Wang Boyang, an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates
"Wah Link"	Wah Link Real Estate Investments Limited, a company incorporated in Hong Kong with limited liability, which is beneficially owned as to 51% by a family member of Mr. Wong and 49% by Mrs.Wong
"WL Consideration"	the sum of HK$91,000,000, being the consideration payable in cash by Wah Link to the Vendor for the acquisition of the WL Sale Interest subject to the terms of the S&P Agreement
"WL Sale Interest"	a 25% interest in the registered capital of Nanjing City Plaza as at Completion, to be acquired by Wah Link subject to and pursuant to the terms of the S&P Agreement
"sq.m."	square metres

* *for identification purposes only*

GOLDBOND GROUP HOLDINGS LIMITED
金 榜 集 團 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

Executive Directors:
Mr. Wong Yu Lung, Charles
Mr. Ko Po Ming
Ms. Loh Jiah Yee, Katherine
Mr. Lan Ning
Mr. Kee Wah Sze

Independent non-executive Directors:
Mr. Ma Ho Fai
Mr. Zhang Xiao Shu

Registered and principal office:
Unit 3902A, 39th Floor, Tower 1
Lippo Centre
89 Queensway
Hong Kong

24 December 2003

To the Shareholders and holders of the Preference Shares

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF 25% INTEREST IN
NANJING CITY PLAZA CONSTRUCTION CO., LTD.

INTRODUCTION

On 3 December 2003, the Board announced that Sino Dynasty, a wholly owned subsidiary of the Company, amongst others, entered into the conditional S&P Agreement on 1 December 2003 pursuant to which (i) Sino Dynasty agreed to purchase the SD Sale Interest at the SD Consideration of HK$91,000,000, which will be satisfied as to HK$90,000,000 in cash and as to HK$1,000,000 by the issue of the 5,000,000 Consideration Shares by the Company in favour of the Vendor; (ii) Wah Link, a company beneficially owned as to 51% by a family member of Mr. Wong and 49% by Mrs. Wong, agreed to purchase the WL Sale Interest at the WL Consideration of HK$91,000,000 in cash; (iii) Wah Link has upon the execution of the S&P Agreement paid the Deposit of HK$100,000,000, and Sino Dynasty shall pay the SD Consideration and deliver the Consideration Shares on Completion; and (iv) should Sino Dynasty be unable to proceed with Completion, Wah Link shall proceed to complete the acquisition of the entire Sale Interest of 50% interest in Nanjing City Plaza. Should Wah Link be unable to proceed with the Completion, Sino Dynasty is only obliged to complete the acquisition of the SD Sale Interest (but not the WL Sale Interest) under the S&P Agreement.

The Proposed Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to the approval of the Shareholders at the EGM. Mr. Wong has represented to the Board that he and his associates shall abstain from voting at the EGM. Goldbond Capital (Asia) Limited has been appointed as the financial adviser of the Company in respect of the Proposed Acquisition.

THE S&P AGREEMENT

For the sake of simplicity and to ensure that most of the terms and conditions are the same for Sino Dynasty and Wah Link, Sino Dynasty and Wah Link entered into the S&P Agreement with the Vendor instead of by two separate agreements.

Date of the S&P Agreement

1 December 2003, as supplemented on 1 December 2003 and as of 3 December 2003 respectively.

Parties

Purchasers	:	Sino Dynasty and Wah Link
Vendor	:	Y&W Holdings Limited, a limited liability company incorporated in the British Virgin Islands, which is beneficially wholly owned by Mr. Wang Boyang, an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates
Warrantors	:	Mr. Wang Boyang, who is the sole shareholder of the Vendor, and the Vendor

The Vendor was introduced to the Purchasers by a common social contact, who is an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates.

Assets to be acquired

The SD Sale Interest is to be acquired by Sino Dynasty, and the WL Sale Interest is to be acquired by Wah Link. The acquisitions of the SD Sale Interest by Sino Dynasty and the WL Sale Interest by Wah Link are not inter-conditional.

Should Sino Dynasty be unable to proceed with the Completion, Wah Link shall proceed to complete the sale and purchase of the entire Sale Interest of the 50% interest in Nanjing City Plaza. Should Wah Link be unable to proceed with the Completion, Sino Dynasty is only obliged to complete the acquisition of the SD Sale Interest (but not the WL Sale Interest) under the S&P Agreement.

Consideration

Payable by Sino Dynasty

HK$91,000,000 to be satisfied as to HK$90,000,000 in cash payable at Completion and as to HK$1,000,000 by the issue of 5,000,000 new Shares by the Company as Consideration Shares, at an issue price of HK$0.20 each, in favour of the Vendor or its nominee(s) at Completion. The Consideration Shares will be issued pursuant to the general mandate granted by the Shareholders to the Directors at the extraordinary general meeting of the Company held on 28 November 2003. No deposit has been paid or is required to be paid by Sino Dynasty before Completion in accordance with the S&P Agreement.

The issue price of the Consideration Shares of HK$0.20 each was determined with reference to the closing price of the Shares of HK$0.20 on 28 November 2003, which represents:

(i) a premium of approximately 17.6% over the average closing price of the Shares of approximately HK$0.17 for the last 10 trading days up to and including 28 November 2003;

(ii) a premium of approximately 11.1% over the closing price of HK$0.18 on the Latest Practicable Date; and

(iii) a premium of approximtely 5.3% over the average closing price of the Shares of approximately HK$0.19 for the last 10 trading days up to and including the Latest Practicable Date.

The Consideration Shares to be issued represent approximately 0.30% of the existing issued ordinary share capital of the Company as at the Latest Practicable Date and approximately 0.30% of the ordinary share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration was arrived at after arm's length negotiation between the Company and the Vendor with reference to the proforma audited net asset value of Nanjing City Plaza and its subsidiaries as at 31 December 2001 and 31 December 2002 prepared under PRC GAAP of approximately RMB296,675,000 and RMB292,787,000 (equivalent to approximately HK$279,882,000 and HK$276,214,000) respectively. Although the Consideration represents a premium of approximately HK$21,946,000 over the proforma audited net asset value of Nanjing City Plaza and its subsidiaries as at 31 December 2002 attributable to the Company upon Completion, the Directors consider that the Consideration is reasonable having taken into account the asset appreciation potential of the Nanjing Project under development by Nanjing

International. The payment of the cash portion of the SD Consideration in the sum of HK$90,000,000 is to be funded by the net proceeds from the Open Offer, which amounted to approximately HK$131,695,000.

Payable by Wah Link

HK$91,000,000 to be satisfied in cash payable at Completion, which shall be set off from the Deposit of HK$100,000,000 paid at the execution of the S&P Agreement, with the remaining portion of HK$9,000,000 to be applied for the partial payment of a shareholder's loan of HK$10,000,000 from Wah Link to Nanjing City Plaza, which will be advanced by Wah Link on Completion.

Deposit

Wah Link has paid a deposit of HK$100,000,000 upon the execution of the S&P Agreement.

Sino Dynasty has not paid and is not required to pay any deposit before Completion under the S&P Agreement.

Shareholders' loans

In order to ensure sufficient working capital for Nanjing International to develop and complete the Nanjing Project, each of Sino Dynasty, Wah Link, and the Vendor shall upon Completion advance a shareholder's loan, with an annual interest rate of 2% above the best lending rate offered by The Hongkong and Shanghai Banking Corporation Limited, in favour of Nanjing City Plaza in the following respective sums:

(a)	Vendor	:	HK$150,000,000
(b)	Sino Dynasty	:	HK$10,000,000
(c)	Wah Link	:	HK$10,000,000

The above terms in respect of the shareholders' loans are agreed among the parties to the S&P Agreement and are also included in the S&P Agreement.

Pursuant to the terms of the S&P Agreement, the shareholders' loans shall be used by Nanjing City Plaza solely for the purpose of subscribing for New Nanjing International Shares at the subscription price of RMB1.60 per share, which was approved at a special general meeting of Nanjing International held on 26 November 2003, pursuant to which (i) all shareholders of Nanjing International have the rights to subscribe the New Nanjing International Shares in proportion to their respective shareholdings in Nanjing International; and (ii) Nanjing City Plaza has undertaken to underwrite the New Nanjing International Shares should the other shareholders not proceed to subscribe for the New Nanjing International

Shares. The subscription price was determined with reference to the unaudited net asset value per share of Nanjing International as at 31 August 2003 of approximately RMB2.45 prepared under PRC GAAP. Should all of the other shareholders of Nanjing International not proceed to subscribe the New Nanjing International Shares, the shareholding interest of Nanjing City Plaza in Nanjing International would be increased from 51.0% to approximately 64.2% upon the completion of the subscription of the New Nanjing International Shares. Accordingly, the respective attributable beneficial interests of the Vendor, Sino Dynasty and Wah Link before and after the subscription of the New Nanjing International Shares will be as follows:

	Before the subscription of the New Nanjing International Shares	**After the subscription of the New Nanjing International Shares (assuming that Nanjing City Plaza has to fulfil its underwriting obligations in full)**
	% of attributable beneficial interest	*% of attributable beneficial interest*
The Vendor	25.50%	32.10%
Sino Dynasty	12.75%	16.05%
Wah Link	12.75%	16.05%
Total	51.00%	64.20%

The management of Nanjing International currently plans to use the proceeds from the issue of the New Nanjing International Shares solely for the development of the Nanjing Project.

Conditions of the S&P Agreement

The Company has conducted due diligence on legal, financial and business aspects of the Nanjing City Plaza and Nanjing International and the results of which, subject to the fulfilment of the Conditions, are satisfactory and acceptable to the Company. The Proposed Acquisition is conditional upon, among other things, the occurrence of the following on or before 31 January 2004 or such other date as the parties of the S&P Agreement may otherwise agree:-

(a) the passing by the Shareholders of an ordinary resolution at the EGM to approve the Proposed Acquisition;

(b) the Open Offer having been fully completed in accordance with its terms;

(c) the Purchasers being satisfied that due approval has been obtained from the PRC Authorities in relation to the transfer of the Sale Interest from the Vendor to the Purchasers;

(d) all amendments to the joint venture contract relating to Nanjing City Plaza that are necessary to give effect to the transfers of the Sale Interest or otherwise to confer onto the Purchasers the respective rights and benefits that are enjoyed by the Vendor by virtue of its holding of the Sale Interest in Nanjing City Plaza as at the date of the S&P Agreement having been made;

(e) all amendments to the articles of Nanjing City Plaza that are necessary to give effect to the transfers of the Sale Interest or otherwise to confer onto the Purchasers the respective rights and benefits that are enjoyed by the Vendor by virtue of its holding of the Sale Interest in Nanjing City Plaza as at the date of the S&P Agreement having been made;

(f) all consents, approvals, permits and authorisations, that the Company in its absolute discretion may consider necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules and the Takeovers Code) for the execution, implementation and completion of the S&P Agreement, having been obtained and all such consents, approvals, permits and authorisations not having been revoked or withdrawn at any time up to and including Completion; and

(g) all consents, approvals, permits and authorisations, that Wah Link in its absolute discretion may consider necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules and the Takeovers Code) for the execution, implementation and completion of the S&P Agreement, having been obtained, and all such consents, approvals, permits and authorisations not having been revoked or withdrawn at any time up to and including Completion.

As at the Latest Practicable Date, only the Conditions set out in (b) above has been fulfilled.

If any one or more of the Conditions set out in the S&P Agreement have not been fulfilled on or before 5:00 p.m. on the Conditions Fulfilment Date, each of Wah Link and Sino Dynasty may at its option (but not an obligation and without prejudice to any other right or remedy it may have) by notice to the Warrantors elect to:–

(a) waive any of the Conditions set out in the S&P Agreement (other than Condition (a) above) and proceed to Completion;

(b) postpone Completion to a date (being a Business Day) to be agreed by the Purchasers and the Vendor or failing agreement the 30th day after the Conditions Fulfilment Date; or

(c) rescind the S&P Agreement in which case the S&P Agreement shall be null and void and no party shall have any claim against the other hereunder save and except in respect of any prior breach of the S&P Agreement.

In the event that all Conditions except Condition (f) above are fulfilled and satisfied by the Condition Fulfillment Date and Sino Dynasty not to proceed with the Completion, Wah Link will still proceed with the Completion; and in the event that all Conditions except Condition (g) above are fulfilled and satisfied by the Condition Fulfillment Date and Wah Link not to proceed with the Completion, Sino Dynasty will still proceed with the Completion.

Commitments of the Company in relation to the Proposed Acquisition

Other than the SD Consideration of HK$90,000,000 in cash and HK$1,000,000 by issue of 5,000,000 Consideration Shares and a shareholder's loan of HK$10,000,000 to be advanced to Nanjing City Plaza, the Company does not have any other capital commitments in relation to the Proposed Acquisition.

Completion

Completion shall take place on the third Business Day after the satisfaction (or, if appropriate, the waiver) of the Condition, which shall not be later than 31 January 2004 or on such later date as the parties to the S&P Agreement may agree in writing.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

INFORMATION ON NANJING CITY PLAZA

Nanjing City Plaza is a sino-foreign equity joint venture company incorporated in the PRC on 4 December 1992, its registered capital amounted to US$10,000,000 which is owned as to 98% by the Vendor and as to the remaining 2% by 珠海經濟特區南華有限公司(Zhuhai Special Economic Region South China Limited). The Vendor is an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates.

The principal asset of Nanjing City Plaza is a 51% equity interest in Nanjing International, a joint stock limited liability company incorporated in the PRC, which is principally engaged in property development in Nanjing, the PRC. Nanjing International has a fully paid registered capital of RMB271,237,500 (equivalent to approximately HK$255,884,000) divided into 271,237,500 shares of RMB1.00 each. Nanjing International has been developing a property project in Nanjing, the PRC, namely 南京國際商城項目(World Trade and Exhibition Centre (Nanjing)) which is situated at 中國南京鼓樓區中央門街道童家巷（北）、中央路（西）(Tongjia Avenue (North) Zhongyanlu (West) Zhongyanmen Jiedao, Gulou District, Nanjing, the PRC) with a site area of approximately 35,422 sq.m.. Land use right of the Nanjing Project has a term of 50 years commenced from 19 October 1993 up to 18 October 2043. The land premium of the Nanjing Project has been duly paid by Nanjing International. A property valuation report issued by an independent valuer is included in Appendix III to this circular.

The Nanjing Project is planned to be developed in two phases. Phase I of the Nanjing Project is under construction and is expected to be completed in 2006, which will comprise a commercial centre, service apartments and office premises, with a total gross floor area of about 213,617 sq.m.. Phase II of the Nanjing Project is at a planning stage. Phase II plans to build a 68-floor commercial building with a total gross floor area of about 158,025 sq.m., comprising a hotel and office premises.

According to the management of Nanjing International, the total investment of Phase I of the Nanjing Project is estimated to be approximately RMB1,473,500,000 (equivalent to approximately HK$1,390,094,000), of which approximately RMB357,910,000 (equivalent to approximately HK$337,651,000) has been paid up to the date of the S&P Agreement and the remaining portion of approximately RMB1,115,590,000 (equivalent to approximately HK$1,052,443,000) is expected to be funded by the proceeds to be generated from the subscription of the New Nanjing International Shares by Nanjing City Plaza, sale proceeds from the pre-sale units of the Phase I of the Nanjing Project and external financing to be arranged by Nanjing International. The Phase II of the Nanjing Project is at a planning stage, the management of Nanjing International estimates that the total investment of Phase II will be approximately RMB1,500,000,000 (equivalent to approximately HK$1,415,094,000), which is expected to be funded mainly by the sale proceeds to be generated from the sale of the units of the Phase I and, if required, external financing to be arranged by Nanjing International.

According to the PRC audited accounts of Nanjing International, the audited net asset value of Nanjing International as at 31 December 2001 and 2002 prepared under PRC GAAP were approximately RMB671,007,000 and RMB665,482,000 (equivalent to approximately HK$633,025,000 and HK$627,813,000) respectively. The audited net loss for the two years ended 31 December 2002 prepared under PRC GAAP were approximately RMB1,130,000 and RMB5,524,000 (equivalent to approximately HK$1,066,000 and HK$5,211,000) respectively.

The management of Nanjing International advised that the Nanjing International will have a capital injection of approximately RMB160,000,000 (equivalent to approximately HK$150,943,000) from the allotment of the 100,000,000 New Nanjing International Shares. In addition, the management of Nanjing International expects that the pre-sale of the eight-storey commercial buildings of the Nanjing Project will be commenced in the second quarter of 2004 and the sale proceeds from the pre-sale units will be used to finance the development cost of the remaining portion of the Phase I of the Nanjing Project. The management of Nanjing International further advised that Nanjing International will seek external financing for any shortage of funds and it is currently in negotiation with various banks in the PRC and Hong

Kong for a term loan/banking facilities in meeting the funding requirements of Nanjing International for the payment of property development costs in 2004 and 2005. As it is considered not unusual to seek bank loan financing as a partial funding source for a property development project, the Directors believe that the term loan/banking facilities will be procured by Nanjing International in the near future. Should the proceeds from the pre-sale units and external financing be insufficient for the Nanjing Projects, Nanjing International will consider other sources of funding, including but not limited to, further issue of share capital. Accordingly, the Directors are of the view that Nanjing International will be able to procure sufficient funds to complete the Nanjing Project.

Part of the land use right, with site area of approximately 8,029.5 sq.m., for Phase II of the Nanjing Project was surrendered to a lending bank for the settlement of the overdue principal and accrued interests totaling RMB48,600,000. Nanjing International has obtained a written consent dated 12 December 2003 from the lending bank pursuant to which Nanjing International was granted an option to repossess the land use right by making a payment in the amount of RMB42,780,000 to the lending bank on or before 25 December 2003. As at the Latest Practicable Date, an amount of RMB5,020,000 has been paid. The management of Nanjing International advised that they will settle the remaining balance of RMB37,760,000 on or before 25 December 2003 and this will not affect the development schedule of the Phase I of the Nanjing Project.

Nanjing International has another loan of RMB12,000,000 from another lending bank, which is secured with part of the land use right of Phase I of the Nanjing Project with site area of approximately 2,850.4 sq.m.. Such loan has expired on 14 October 2003 and Nanjing International has reached an agreement with the lending bank to extend the loan settlement date to 13 August 2004. The management of Nanjing International intends to settle such loan upon completion of the Proposed Acquisition. Should the Proposed Acquisition not be able to proceed, the management of Nanjing International intends to seek other source of funding to repay such loan.

Nanjing International entered into a contract with a contractor in February 1993 to perform demolition, evacuation and clearing work on the land on which the Nanjing Project is situated at a contract sum of RMB200 million. The two parties were in dispute in respect of certain alleged non-compliances with the terms and conditions, and such dispute was brought to court. Subsequently, the parcel of land was foreclosed by the court. The case was finally resolved in April 2003 by a court order, pursuant to which Nanjing International should settle the remaining balance of RMB42,000,000 and the contractor should complete the relevant work and return the land to Nanjing International. According to the management of Nanjing International, the amount has been settled on 17 December 2003 and the court has cancelled the foreclosure order and the land is returned to Nanjing International on 18 December 2003.

Save as disclosed above, the land use rights of the Nanjing Project is free from any third party rights, liens, claims, charges and encumbrances as at the Latest Practicable Date.

BUSINESS REVIEW OF THE GROUP

The principal business of the Group is property investment and other investments in Hong Kong and the PRC. During the year ended 31 March 2003, turnover of the Group was mainly contributed by the rental income derived from its existing property, at Golden Plaza, No. 745-747 Nathan Road, Kowloon. Almost all of the total gross floor area of Golden Plaza has been leased.

For the year ended 31 March 2003, the Group recorded a net loss attributable to shareholders of approximately HK$71,962,000, which was mainly attributable to the provision for impairment in value of investment properties and other investments.

As at 31 March 2003, the Group had net asset value of approximately HK$135,491,000 and cash and bank balances of approximately HK$13,102,000.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Despite the gloomy economy in Hong Kong, Golden Plaza, being situated in Mongkok with an already established niche market, continues to provide satisfactory income. Looking ahead, occupancy rate of Golden Plaza is expected to remain high.

At the same time, the Board will continue to look for investment opportunities that have earning potentials, with an aim to diversify its sources of income and to develop its existing business. In particular, the Board will focus on companies in Hong Kong and the PRC that either (i) have steady income and positive cashflow, or are in industries where the barrier of entry are relatively high; or (ii) are in fast growing industries.

It is the ultimate goal of the Board to make use of the Group's resources to maximise the value of the Company.

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in property investment and other investments in Hong Kong and the PRC. The audited consolidated net asset value of the Group as at 31 March 2002 and 31 March 2003 were approximately HK$127,075,000 and HK$135,491,000 respectively. The audited consolidated net loss of the Group for the two years ended 31 March 2003 were approximately HK$78,965,000 and HK$71,962,000 respectively. As set out in the announcement of the Company dated 22 October 2003 in respect of the Open Offer, the Group is aiming to diversify its sources of income and further develop its existing business and the Group is exploring various business opportunities. The Directors believe that the Proposed Acquisition would improve the Group's financial performance and broaden its earning bases. The management of Nanjing International expects that the Phase I of the Nanjing Project will be completed in 2006 and the Company is expected to be benefited from the project in terms of dividend incomes in 2007.

The Directors consider that the terms and conditions of the S&P Agreement are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

THE EGM

The Proposed Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to approval of the Shareholders. A notice convening an extraordinary general meeting to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 9 January 2004 is set out on pages 108 to this circular.

Mr. Wong has represented to the Board that he and his associates shall abstain from voting at the EGM. There is enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjourned thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the opinion that the terms of the S&P Agreement are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors therefore recommend the Shareholders to vote in favour of the ordinary resolution to be put forward at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Goldbond Group Holdings Limited
Lam Kwok Wah
Company Secretary

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants of Nanjing City Plaza Construction Company Limited, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Hong Kong

24 December 2003

The Directors
Nanjing City Plaza Construction Company Limited
Goldbond Capital (Asia) Limited

Dear Sirs,

Pursuant to a conditional sale and purchase agreement entered into on 1 December 2003 (the "S&P Agreement"), as described more fully in the Section headed The S&P Agreement in the circular of Goldbond Group Holdings Limited ("Goldbond") dated 24 December 2003 (the "Circular"), Sino Dynasty Investments Limited, a wholly owned subsidiary of Goldbond, agreed to purchase a 25% interest in Nanjing City Plaza Construction Company Limited ("Company") and its subsidiaries (hereafter collectively referred to as "the Group") at a consideration of HK$91,000,000 (the "Proposed Acquisition").

We set out below our report on the financial information relating to the Group, including the summaries of the proforma consolidated income statements and consolidated statement of changes in equity of the Group for each of the three years ended 31 December 2002 and the ten months ended 31 October 2003 (the "relevant period") and the proforma consolidated balance sheets of the Group as at 31 December 2000, 2001 and 2002 and 31 October 2003 (the "Financial Information") for inclusion in the Circular.

The Company is a Sino-foreign equity joint venture company established in the People's Republic of China (the "PRC") on 4 December 1992 for an operating period of 20 years in accordance with the Law of the People's Republic of China and related regulations applicable to Sino-foreign equity joint venture enterprises. The princial activities of the Group are property development in the PRC. The Company is the holding company of the following companies:

Name of company	Place and date of incorporation/ establishment	Proportion of ownership interest		Registered capital	Principal activities
		Direct	*Indirect*		
Nanjing International Group Limited ("Nanjing International") 南京國際集團股份有限公司	PRC/8 June 1993	51%	–	RMB271,237,500	Property development
Nanjing International Group Advertising 南京國際集團廣告展覽中心	PRC/14 August 1993	–	51%	RMB2,000,000	Dormant

For the purpose of this report, we have examined the audited financial statements or, where appropriate, unaudited management accounts of the companies comprising the Group for the relevant period, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants ("HKSA").

The statutory financial statements of the Group for each of the three years ended 31 December 2002 were prepared in accordance with the relevant PRC accounting rules and regulations ("PRC GAAP"). For the year ended 31 December 2000, the financial statements of the Group were audited by Jiangsu Dingxin Certified Public Accountants, a firm of certified public accountants registered in the PRC. For the years ended 31 December 2001 and 2002, the financial statements of the Group were audited by Jiangsu Zhongxing Certified Public Accountants, a firm of certified public accountants registered in the PRC. As a basis for forming an opinion on the Financial Information of the Group, for the purpose of this report, we have carried out appropriate audit procedures in respect of the proforma consolidated financial statements of the Group for the relevant period in accordance with Statements of Auditing Standards issued by the HKSA and, where considered appropriate, made adjustments considered necessary to restate the financial statements to conform with accounting principles generally accepted in Hong Kong.

The audit opinions issued by the PRC auditors on the audited financial statements of Nanjing International for the years ended 31 December 2001 and 2002 contained a qualification stating that no deferred taxation had been provided on the revaluation surplus of the property under development in Nanjing, the PRC, and no adjustment had been made to the financial statements with respect to the portion of land surrendered to a bank for the settlement of loans. We have satisfied ourselves by carrying out additional audit procedures so as to determine that any material adjustments required with respect to the above referenced items have been incorporated into the Group's proforma consolidated financial statements for the relevant period presented in this report in accordance with the basis of presentation set out in Section 1 below.

We have not audited any financial statements of the Group in respect of any period subsequent to 31 October 2003.

The directors of respective companies comprising the Group are responsible for the preparation of the Financial Information which gives a true and fair view. The Financial Information as set out in this report has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the Group and on the basis set out in Section 1 below, after making such adjustments as are appropriate. In preparing the Financial Information, financial statements and management accounts 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 on the Financial Information.

In forming our opinion, we have considered the adequacy of the disclosure made in Section 1(b) of the Financial Information which assumes that the Proposed Acquisition of the Group will be completed and the Group will have sufficient funding to enable the Group to repay in full its financial obligations as they fall due. The failure of the Company and the Group to obtain adequate financing and generate profitable results in the future, could cause the Company and the Group to not continue as a going concern. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the Financial Information and our opinion is not qualified in this respect.

In our opinion, the Financial Information set out below together with the notes thereto, for the purpose of this report gives a true and fair view of the consolidated results of the Group for the relevant period and of the state of affairs of the Company and the Group as at 31 December 2000, 2001 and 2002 and 31 October 2003.

1 BASIS OF PRESENTATION

(a) The following changes in equity interests of Nanjing International took place during the relevant period:

(i) on 3 June 2000, Nanjing International became an associate of the Company, which held 44.5% of its equity interest following a disposal of 15.5% of the equity interest to the existing minority shareholders; and

(ii) on 10 October 2003, the Company acquired an additional 6.5% equity interest in Nanjing International at a consideration of RMB37,065,000, which increased the Company's equity interest in Nanjing International to 51%, and Nanjing International became a subsidiary of the Company.

The proforma consolidated income statements of the companies now comprising the Group for the relevant period have been prepared as if the current group structure had been in existence throughout the entire relevant period. The proforma consolidated balance sheets of the Group as at 31 December 2000, 2001 and 2002 and 31 October 2003 have been prepared to present the assets and liabilities of the Group as at the respective dates as if the current group structure had been in existence as at those dates. All significant intra-group transactions and balances have been eliminated on consolidation.

(b) The Financial Information has been prepared on the normal going concern basis notwithstanding the default in settlement of bank loans (see Note 4 (f)(i) below). The use of this basis assumes that the Proposed Acquisition will be approved by the shareholders of Goldbond, that sufficient financial assistance will be provided to the Group to enable it to meet its obligations as they fall due in the foreseeable future.

(c) As the Group is in technical default under certain of its loan covenants, the principal amounts of the loans became immediately repayable. No attempt has been made to classify liabilities into long-term or short-term as the repayment of loans will be subject to the completion of Proposed Acquisition.

(d) The measurement basis used in the preparation of the Financial Information is historical cost.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the Financial Information included in this report are set out below.

These accounting policies would be acceptable under accounting principles generally accepted in Hong Kong ("HKGAAP"). The Financial Information also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") as applicable to an Accountants' Report.

(a) Subsidiaries

A subsidiary 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 its board of directors. Subsidiaries are considered to be controlled if the Group 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 included in the Financial Information, 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 proforma consolidated balance sheet at fair value with changes in fair value recognised in the proforma consolidated income statement as they arise.

(b) Investments

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investments. Investments are stated in the proforma consolidated balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the proforma consolidated income statement, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investments are written back when the circumstances and events that led to the write-down or written-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments are determined as the difference between the estimated new disposal proceeds and the carrying amount of the investments and are accounted for in the proforma consolidated income statement as they arise.

(c) Fixed assets

(i) Fixed assets are carried in the proforma consolidated balance sheets at cost less accumulated depreciation (See note 2(d)) and impairment losses (See note 2(e)).

(ii) 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.

(iii) 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 proforma consolidated income statement on the date of retirement or disposal.

(d) Depreciation

(i) Properties under development

No depreciation is provided on properties under development.

(ii) Fixed assets

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives, after taking into account their estimated residue value, as follows:–

Furniture, fixtures and equipment	10% – 23% per annum
Motor vehicles	16% per annum

(e) 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;

– properties under development; and

– investment in subsidiaries (other than those stated at fair value in note 2(a) above).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised 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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 proforma consolidated income statement in the year in which the reversals are recognised.

(f) Properties under development

Properties under development is stated at the lower of cost and net realisable value less impairment losses (see note 2(e) above). Property development costs include borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any provisions considered necessary by the directors.

Net realisable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions, less costs to be incurred in selling the property.

(g) Development expenditure

Construction and other costs, including borrowing costs and expenses relating to the marketing and sale of development properties prior to the issuance of a completion certificate by the relevant government authorities, are included as part of properties under development.

(h) 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 proforma consolidated income statement as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the proforma consolidated income statement 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.

(ii) Interest income

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

(i) Income tax

(i) Income tax for the relevant period comprises current and deferred tax. Income tax is recognised in the proforma consolidated income statement except to the extent that it related to items recognised directly to 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 the tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. 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 taxation profits will be available against which the asset can be utilised, are recognised. The limited exceptions are 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, 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 provided is 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.

(iv) Current and deferred tax assets and liabilities are offset if, and only if, 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 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 authorities 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.

(j) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the proforma consolidated income statement 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.

(k) Borrowing costs

Borrowing costs are expensed in the proforma consolidated income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(l) Retirement costs

The Group's contributions to government retirement benefit schemes are charged to the proforma consolidated income statement when incurred.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when 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.

(n) Cash and 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.

(o) Related parties

For the purposes of this report, a party is 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.

(p) Segment reporting

No analysis of the Group's segmental information by business or geographical segments is presented as the Group is solely engaged in property development in the PRC. All identifiable assets and liabilities of the Group are located in the PRC.

3 PROFORMA CONSOLIDATED INCOME STATEMENTS

The following is a summary of the proforma consolidated income statements of the Group for the relevant period, after making such adjustments as are appropriate and on the basis set out in Section 1 above:

	Note	**Year ended 31 December 2000** *RMB'000*	**Year ended 31 December 2001** *RMB'000*	**Year ended 31 December 2002** *RMB'000*	**Ten months ended 31 October 2003** *RMB'000*
Other revenue	(a)	4,077	3,054	631	461
Administrative expenses		(3,133)	(3,712)	(4,774)	(4,127)
Profit/(loss) from operations		944	(658)	(4,143)	(3,666)
Finance costs	(b)	(4,809)	(2,563)	(2,561)	(1,929)
Loss from ordinary activities before taxation	(b)	(3,865)	(3,221)	(6,704)	(5,595)
Taxation	(c)	–	104	1,261	1,247
Loss from ordinary activities after taxation		(3,865)	(3,117)	(5,443)	(4,348)
Minority interests		(228)	347	1,154	1,248
Loss attributable to shareholders	(f)	(4,093)	(2,770)	(4,289)	(3,100)
Accumulated losses brought forward		(30,313)	(34,406)	(37,176)	(41,465)
Accumulated losses carried forward		(34,406)	(37,176)	(41,465)	(44,565)

PROFORMA STATEMENT OF CHANGES IN EQUITY

The net loss in the above proforma consolidated income statements is the only change in equity for the relevant period.

(a) Other revenue

	Year ended 31 December 2000	Year ended 31 December 2001	Year ended 31 December 2002	Ten months ended 31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB$'000*
Rental income	4,023	3,051	451	267
Sundry income	54	3	180	194
	4,077	3,054	631	461

(b) Loss from ordinary activities before taxation

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

(i) Finance costs

	Year ended 31 December 2000	Year ended 31 December 2001	Year ended 31 December 2002	Ten months ended 31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank interest	6,522	5,061	6,198	6,479
Interest on other borrowings	2,420	2,420	2,420	2,023
Other borrowing costs	–	–	3,932	4,163
Less: Borrowing costs capitalised into properties under development *	(4,133)	(4,918)	(9,989)	(10,736)
	4,809	2,563	2,561	1,929

* Borrowing costs have been capitalised at rates ranging from 4.9% to 18% per annum.

(ii) Staff costs

	Year ended 31 December 2000	Year ended 31 December 2001	Year ended 31 December 2002	Ten months ended 31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retirement benefit contributions	107	202	180	228
Salaries, wages and other benefits	681	1,071	1,048	1,276
	788	1,273	1,228	1,504
Number of staff	25	25	25	25

(iii) Other items

	Year ended 31 December 2000	Year ended 31 December 2001	Year ended 31 December 2002	Ten months ended 31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Auditors' remuneration	11	8	11	13
Operating lease charges in respect of properties	420	420	420	350
Rentals receivable from properties less direct outgoings of RMB179,000 (2002: RMB147,000; 2001: RMB540,000; 2000: RMB754,000)	(3,269)	(2,511)	(304)	(88)
Depreciation	158	58	68	67

(c) Taxation

Taxation in the proforma consolidated income statements represents:

	Year ended 31 December 2000	Year ended 31 December 2001	Year ended 31 December 2002	Ten months ended 31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC income tax	–	–	–	–
Deferred taxation *(note 4(i))*	–	104	1,261	1,247
	–	104	1,261	1,247

No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax during the relevant period.

Profits of the companies in the PRC are subject to PRC income tax.

As a foreign invested enterprise, the Company, being established in the PRC, is required under the Foreign Investment Enterprise and Foreign Enterprise Income Tax Law to pay income tax at the rate of 33% of the estimated assessable profits during the relevant period. The subsidiaries of the Company are domestic enterprises established in the PRC and the applicable income tax rate is 33%. No provision for PRC Income Tax was made as the Group sustained losses for taxation purposes during the relevant period.

(d) Directors' remuneration

Details of directors' remuneration are as follows:

	Year ended 31 December 2000	Year ended 31 December 2001	Year ended 31 December 2002	Ten months ended 31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salary, allowances and other benefits	44	51	51	100
Number of directors	3	3	3	3

The remuneration of the directors falls within the following bands:

	Year ended 31 December 2000 *Number*	Year ended 31 December 2001 *Number*	Year ended 31 December 2002 *Number*	Ten months ended 31 October 2003 *Number*
RMBNil – RMB500,000	3	3	3	3

Save as disclosed above, no directors' remuneration has been paid or is payable by the Group during the relevant period. There was no arrangement under which a director waived or agreed to waive any remuneration during the relevant period.

(e) Individuals with highest emoluments

The five highest paid individuals of the Group include one (2002: nil, 2001: nil and 2000: one) director of the Group whose remuneration is disclosed in note 3(d) above. Details of emoluments paid by the Group to the remaining highest paid individuals are set out below:

	Year ended 31 December 2000 *RMB'000*	Year ended 31 December 2001 *RMB'000*	Year ended 31 December 2002 *RMB'000*	Ten months ended 31 October 2003 *RMB'000*
Salary, allowances and other benefits	169	323	325	413
Retirement benefit contributions	21	22	26	22
	190	345	351	435

The remuneration of the four (2002: five, 2001: five and 2000: four) highest paid individuals falls within the following bands:

	Year ended 31 December 2000 *Number*	Year ended 31 December 2001 *Number*	Year ended 31 December 2002 *Number*	Ten months ended 31 October 2003 *Number*
RMBNil – RMB500,000	4	5	5	4

During the relevant period, no emoluments were paid by the Group to the directors or any of the above highest paid individuals as an inducement, to join or upon joining the Group or as compensation for loss of office.

(f) Loss attributable to shareholders

The proforma consolidated loss attributable to shareholders include a loss of RMB1,801,000 (2002: RMB3,087,000, 2001: RMB2,408,000, 2000: RMB4,330,000), which has been dealt with in the financial statements of the Company.

(g) Dividends

No dividends have been paid or declared by the Company and its subsidiaries during the relevant period.

(h) Retirement benefits

The Group participates in the pension scheme organised by the PRC government authorities whereby the Group is required to pay annual contribution at 21% of the basic salaries of its employees.

Under the scheme, retirement benefits of the existing and retiring employees are payable by the PRC government authorities. The Group has no further obligations beyond the annual contributions. The Group does not operate any other schemes for retirement benefits provided to the Group's employees.

4 PROFORMA BALANCE SHEETS

The following is a summary of the proforma consolidated balance sheets of the Group and proforma balance sheets of the Company for the relevant period, after making such adjustments as are appropriate and on the basis set out in Section 1 above:

The Group

	Note	31 December 2000 RMB'000	31 December 2001 RMB'000	31 December 2002 RMB'000	31 October 2003 RMB'000
Non-current assets					
Fixed assets	(a)	353	320	320	334
Properties held for development	(c)	316,310	316,310	316,310	316,345
Investment – unlisted		525	525	525	–
		317,188	317,155	317,155	316,679
Current assets					
Properties under development	(c)	500,186	510,987	546,682	583,700
Amounts due from minority shareholders	(d)	4,576	4,576	6,182	6,785
Other receivables and prepayments	(e)	1,693	2,288	2,039	1,497
Cash and cash equivalents		490	1,155	792	1,848
		506,945	519,006	555,695	593,830
Current liabilities					
Bank loans	(f)	84,800	83,800	119,400	179,000
Other loans	(g)	84,072	95,057	109,188	113,995
Creditors and accrued expenses	(h)	101,943	107,208	100,870	79,718
		270,815	286,065	329,458	372,713
Net current assets		236,130	232,941	226,237	221,117
Total assets less current liabilities		553,318	550,096	543,392	537,796
Non-current liability					
Deferred taxation	(i)	147,775	147,671	146,410	145,163
Minority interests		243,186	242,838	241,684	240,435
NET ASSETS		162,357	159,587	155,298	152,198
Capital and reserves					
Paid-up capital		57,550	57,550	57,550	57,550
Reserves	(j)	104,807	102,037	97,748	94,648
		162,357	159,587	155,298	152,198

The Company

	Note	31 December 2000 RMB'000	31 December 2001 RMB'000	31 December 2002 RMB'000	31 October 2003 RMB'000
Non-current assets					
Fixed assets	*(a)*	76	76	76	76
Interest in subsidiary	*(b)*	164,624	169,124	170,774	150,721
Investment – unlisted		525	525	525	–
		165,225	169,725	171,375	150,797
Current assets					
Other receivables and prepayments	*(e)*	1,319	1,159	266	–
Cash and cash equivalents		410	94	56	31
		1,729	1,253	322	31
Current liabilities					
Bank loan	*(f)*	15,000	15,000	15,000	15,000
Other loans	*(g)*	43,407	47,774	44,263	37,065
Creditors and accrued expenses	*(h)*	63,602	65,667	72,984	61,114
		122,009	128,441	132,247	113,179
Net current liabilities		(120,280)	(127,188)	(131,925)	(113,148)
NET ASSETS		44,945	42,537	39,450	37,649
Capital and reserves					
Share capital		57,550	57,550	57,550	57,550
Reserves	*(j)*	(12,605)	(15,013)	(18,100)	(19,901)
		44,945	42,537	39,450	37,649

(a) Fixed assets

The Group

	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2000	1,296	756	2,052
Additions	55	–	55
Disposals	(116)	–	(116)
At 31 December 2000	1,235	756	1,991
Accumulated depreciation			
At 1 January 2000	913	680	1,593
Charge for the year	158	–	158
Written back on disposal	(113)	–	(113)
At 31 December 2000	958	680	1,638
Net book value			
At 31 December 2000	277	76	353
Cost			
At 1 January 2001	1,235	756	1,991
Additions	25	–	25
Disposals	(54)	–	(54)
At 31 December 2001	1,206	756	1,962
Accumulated depreciation			
At 1 January 2001	958	680	1,638
Charge for the year	58	–	58
Written back on disposal	(54)	–	(54)
At 31 December 2001	962	680	1,642
Net book value			
At 31 December 2001	244	76	320

The Group

	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2002	1,206	756	1,962
Additions	73	–	73
Disposals	(612)	–	(612)
At 31 December 2002	667	756	1,423
Accumulated depreciation			
At 1 January 2002	962	680	1,642
Charge for the year	68	–	68
Written back on disposal	(607)	–	(607)
At 31 December 2002	423	680	1,103
Net book value			
At 31 December 2002	244	76	320
Cost			
At 1 January 2003	667	756	1,423
Additions	81	–	81
At 31 October 2003	748	756	1,504
Accumulated depreciation			
At 1 January 2003	423	680	1,103
Charge for the period	67	–	67
At 31 October 2003	490	680	1,170
Net book value			
At 31 October 2003	258	76	334

The Company

	Motor vehicles
	RMB'000
Cost	
At 1 January 2000, 31 December 2000, 2001 and 2002 and 31 October 2003	756
Accumulated depreciation	
At 1 January 2000, 31 December 2000, 2001 and 2002 and 31 October 2003	680
Net book value	
At 31 December 2000, 2001 and 2002 and 31 October 2003	76

(b) Interest in subsidiary

	31 December 2000	**31 December 2001**	**31 December 2002**	**31 October 2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	135,740	135,740	135,740	135,740
Amount due from a subsidiary	28,884	33,384	35,034	14,981
	164,624	169,124	170,774	150,721

Details of the Company's interest in its principal subsidiary are as follows:

Name of company	**Place and date of incorporation/ establishment**	**Proportion of ownership interest**	**Registered capital**	**Principal activity**
Nanjing International	PRC / 8 June 1993	51%	RMB 271,237,500	Property development

(c) Properties held for development and properties under development

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition cost of land use right	490,024	490,024	490,024	490,024
Development and incidental costs	261,509	267,392	293,098	319,415
Borrowing costs capitalised	64,963	69,881	79,870	90,606
	816,496	827,297	862,992	900,045
Represented by:				
Properties held for development	316,310	316,310	316,310	316,345
Properties under development	500,186	510,987	546,682	583,700
	816,496	827,297	862,992	900,045

The land use right were acquired from the Bureau of Land Resources Nanjing in 1993. Pursuant to the rules and regulations applicable to joint stock companies in the PRC, the land use right were valued on an open market value basis in 1993 by Shenzhen Shekou Schinda Certified Public Accountants, a firm of independent certified public accountants, registered in the PRC.

(d) Amounts due from minority shareholders

The amounts due from minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

(e) Other receivables and prepayments

The Group

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	251	815	1,092	596
Prepayments	1,442	1,473	947	901
	1,693	2,288	2,039	1,497

The Company

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	221	221	216	–
Prepayments	1,098	938	50	–
	1,319	1,159	266	–

(f) Bank loans

Bank loans are interest-bearing and repayable as follows:

The Group

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	84,800	83,800	75,900	61,000
After 2 years but within 5 years	–	–	43,500	118,000
	84,800	83,800	119,400	179,000

The Company

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	15,000	15,000	15,000	15,000

Bank loans were secured as follows:

The Group

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	56,800	55,800	56,000	56,000
Unsecured	28,000	28,000	63,400	123,000
	84,800	83,800	119,400	179,000

The Company

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	15,000	15,000	15,000	15,000

(i) Bank loans of RMB29,000,000 were originally secured by 8,029 square metres of the land use right included in properties held for development with a carrying value of RMB10,438,000 as at 31 October 2003 (2002: RMB10,438,000, 2001: RMB10,438,000 and 2000: RMB10,438,000). The land use right was surrendered to the bank to settle the overdue principal and accrued interest totalling RMB48,600,000. The bank loans are classified as a current liability in the proforma consolidated balance sheets as an agreement was entered into with the bank whereby the Group agreed to settle the outstanding loan balance and repossess the land use right on or before 30 October 2003. However, the loan was not settled by the due date and the bank has indicated that the due date has been extended to 31 December 2003.

(ii) A bank loan of RMB12,000,000 was secured by 2,850 square metres of the land use right included in properties held for development with a carrying value of RMB 3,705,000 (2002: RMB3,705,000, 2001: RMB3,705,000 and 2000: RMB1,269,000). The bank loan as at 31 October 2003 expired on 14 October 2003 but remains classified as a current liability in the proforma consolidated balance sheets at the respective balance sheet dates as a restructuring agreement has been reached in October 2003 with the bank to extend the loan settlement date to 13 August 2004.

(iii) A bank loan of RMB15,000,000 was secured by 6 million shares of Nanjing International, the Company's subsidiary which represent 2.2% of the registered capital of Nanjing International.

(g) Other loans

Other loans represent unsecured advances with no fixed terms of repayment payable to the following related parties:

The Group

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shareholder	6,297	7,163	7,153	–
Minority shareholders	74,872	76,532	88,271	87,570
Director	45	5,604	2,906	2,860
Related parties	2,858	5,758	10,858	23,565
	84,072	95,057	109,188	113,995

The Company

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shareholder	6,297	7,163	7,153	–
Director	45	3,546	45	–
Related parties	37,065	37,065	37,065	37,065
	43,407	47,774	44,263	37,065

Other loans were interest-free with the exception of the advances from minority shareholders and amounts due to other related parties which bear interest at rates ranging from 5.9% to 20%.

(h) Creditors and accrued expenses

The Group

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	44,360	45,177	51,720	31,559
Accrued expenses	57,583	62,031	49,150	48,159
	101,943	107,208	100,870	79,718

The Company

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	44,994	44,995	50,247	36,654
Accrued expenses	18,608	20,672	22,737	24,460
	63,602	65,667	72,984	61,114

Included in trade and other payables are trade payables with the following ageing analysis:

The Group and the Company

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month or on demand	42,208	42,016	42,016	22,016

The Group entered into a contract with a contractor in February 1993 to perform the demolition, evacuation and clearing work on the land on which the Nanjing City Plaza is situated at a contract sum of RMB200 million. Upon settlement of approximately 80% of the contract sum, the two parties were in dispute in respect of certain alleged non-compliances with the terms and conditions of the contract, including that the demolition, evacuation and clearing work should have been completed by the contractor in 1993. The dispute was unresolved and brought to court. Subsequently, the parcel of land was foreclosed by the court. The case was finally resolved in April 2003 as the Group received a court order to settle the remaining balance of RMB42 million by September 2003 and the contractor had to complete the relevant work and return the land to the Group. However, a final balance of RMB22 million was not settled by the due date. The directors have agreed to settle the outstanding balance on or before 31 December 2003 and the court has indicated that the land would be returned to the Group upon full settlement.

(i) Deferred taxation

The Group

	31 December 2000	**31 December 2001**	**31 December 2002**	**31 October 2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance brought forward	147,775	147,775	147,671	146,410
Transferred from proforma consolidated income statement *(note 3(c))*	–	(104)	(1,261)	(1,247)
Balance carried forward	147,775	147,671	146,410	145,163

The components of deferred tax assets and liabilities recognised in the proforma consolidated balance sheets are as follow:

	31 December 2000	**31 December 2001**	**31 December 2002**	**31 October 2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revaluation surplus of land	147,775	147,775	147,775	147,775
Accumulated tax losses	–	(104)	(1,365)	(2,612)
	147,775	147,671	146,410	145,163

Deferred taxation has been provided on the revaluation surplus of the land situated in Nanjing, the PRC, included in properties held for development and properties under development to the extent that a liability is anticipated.

(j) Reserves

The Group

	31 December 2000 *RMB'000*	31 December 2001 *RMB'000*	31 December 2002 *RMB'000*	31 October 2003 *RMB'000*
Accumulated losses:				
Balance brought forward	(30,313)	(34,406)	(37,176)	(41,465)
Loss for the year/period	(4,093)	(2,770)	(4,289)	(3,100)
Balance carried forward	(34,406)	(37,176)	(41,465)	(44,565)
Capital reserve:				
Balance brought forward and carried forward	139,213	139,213	139,213	139,213
Total	104,807	102,037	97,748	94,648

The Company

	31 December 2000 *RMB'000*	31 December 2001 *RMB'000*	31 December 2002 *RMB'000*	31 October 2003 *RMB'000*
Accumulated losses:				
Balance brought forward	(10,725)	(15,055)	(17,463)	(20,550)
Loss for the year/period	(4,330)	(2,408)	(3,087)	(1,801)
Balance carried forward	(15,055)	(17,463)	(20,550)	(22,351)
Capital reserve:				
Balance brought forward and carried forward	2,450	2,450	2,450	2,450
Total	(12,605)	(15,013)	(18,100)	(19,901)

(k) Commitments

(i) Capital commitments

The Group had the following capital commitments in relation to the construction costs of the properties under development not provided for in the Financial Information:

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	4,605	44,209	41,096	737,406

The balance at 31 October 2003 is substantially comprised of commitments for the construction and material costs of developing Phase I of the Nanjing City Plaza.

(ii) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases is payable as follows:

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	420	420	420	210
After 1 year but within 5 years	1,050	630	210	–
	1,470	1,050	630	210

The Group leases a property as an office premises under operating lease. The lease typically runs for an initial period of three years, with an option to renew the lease when all terms are renegotiated. The lease does not include any contingent rental.

(l) Material related party transactions

(i) No material related party transactions were made by the Group, or the Company during the relevant period, except for the following:

- advances made from related parties as disclosed in note 4(l)(ii) below and accrued interest of RMB501,000 (2002: RMB594,000, 2001: RMB594,000 and 2000: RMB594,000) was payable to related parties; and

- the disposal of unlisted long term investment to上海寧高國際投資公司, a company controlled by the director of the Company, at a cost of RMB525,000.

(ii) Balances with related parties

(a) Amounts due from related parties:

The Group

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in amounts due from minority shareholders:				
南京南華北方實業有限責任公司	81	81	1,687	2,291

The Company

	31 December 2000	31 December 2001	31 December 2002	31 October 2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in other receivables and prepayments:				
南京南華北方實業有限責任公司	81	81	87	–

(b) Amounts due to related parties:

The Group

	31 December 2000 *RMB'000*	31 December 2001 *RMB'000*	31 December 2002 *RMB'000*	31 October 2003 *RMB'000*
Included in other loans:				
Amount due to a shareholder – 珠海經濟特區南華有限公司	6,297	7,163	7,153	–
Amount due to a director	45	5,604	2,906	2,860
Amounts due to related parties –				
珠海金鑫集團公司	–	900	–	8,300
上海寧高國際投資公司	–	–	–	6,407
Amounts due to minority shareholders –				
中國石化集團揚子石油化工有限責任公司	19,197	19,791	20,385	20,886
蘇州天翔裝飾裝璜工程有限公司	37,065	37,065	45,643	42,920

The Company

	31 December 2000 *RMB'000*	31 December 2001 *RMB'000*	31 December 2002 *RMB'000*	31 October 2003 *RMB'000*
Included in other loans:				
Amount due to a shareholder – 珠海經濟特區南華有限公司	6,297	7,163	7,153	–
Amount due to a director	45	3,545	45	–
Amount due to a related party – 蘇州天翔裝飾裝璜工程有限公司	37,065	37,065	37,065	37,065

The terms of amounts due from/to the related parties have been disclosed in the relevant notes to the Financial Information above.

The directors of the Company are of the opinion that the above transactions with the related parties were conducted on normal commercial terms and in the ordinary course of business.

(m) Contingent liabilities

At 31 October 2003, the Group had contingent liabilities not provided for in the Financial Information as follows:

(i) A counter guarantee was issued to a third party in return for a guarantee received by the Group from this third party in respect of a banking facility of RMB118,000,000 which was fully utilised by the Group as at 31 October 2003. The loan was secured by the following items:

- Pledge of the Nanjing City Plaza's Phase I land use right;
- Personal guarantees of Mr. Wang Boyang and Mr. Pei Jiakang, directors of the Nanjing International; and
- Corporate guarantee of 中投信用擔保有限公司.

(ii) The Group entered into acquisition agreements with the Bureau of Land Resources Nanjing to acquire the land use rights for the development of the Nanjing City Plaza. Under these agreements, the Group was required to complete the construction of the Nanjing City Plaza on or before 31 December 1998. At 31 October 2003, construction is ongoing. The Bureau of Land Resources Nanjing may, therefore, impose penalties on the Group for failure to meet its obligations.

In addition, under these agreements, the total gross floor area of the Nanjing City Plaza should not exceed 180,000 square metres. The total estimated gross floor area of the Nanjing City Plaza is planned to be approximately 371,000 square metres upon completion, therefore the Bureau of Land Resources Nanjing may impose penalties on the Group or may repossess the property from the Group.

However, the directors of the Company confirmed that they have agreed with the Bureau of Land Resources Nanjing to rectify the acquisition agreements and waive all the penalties for the above failures. Management strongly believes that the Bureau of Land Resources Nanjing will not impose penalties or repossess the property from the Group.

(n) Ultimate holding company

The directors of the Company consider the ultimate holding company to be Y&W Holdings Limited, a company incorporated in the British Virgin Islands.

5 DISTRIBUTABLE RESERVES

As at 31 December 2000, 2001 and 2002 and 31 October 2003, the Company had no distributable reserves.

6 DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable in respect of the relevant period by the Company or any of the companies now comprising the Group to the directors of the Company. Under the arrangement presently in force, the estimated aggregate amount of directors' remuneration payable for the year ending 31 December 2003 is approximately RMB20,000 excluding management bonuses which are payable at the Group's discretion.

7 SUBSEQUENT EVENTS

The following transactions took place subsequent to 30 October 2003:

(i) The Company has entered into an agreement with a bank on 20 November 2003 to settle a loan of RMB15,000,000 by two instalments in June 2004 and December 2004. Thereafter, a waiver of the accumulated bank interest of RMB20,700,000 would be granted to the Group which would represent a reduction of the cost of properties under development of an equivalent amount.

(ii) The Group has obtained a written consent from a bank on 12 December 2003 to settle a loan of RMB29,000,000 and accrued interests of RMB19,600,000 on or before 25 December 2003 by an amount of RMB42,780,000. As a result of the settlement, the Group would record a reduction in cost of properties under development of approximately RMB5,820,000.

(iii) On 15 December 2003, the Group entered into a debt restructuring agreement with a minority shareholder and paid a sum of RMB9,675,000 to settle the outstanding debt balance of RMB26,260,000, which comprises the principal of RMB9,100,000 and accumulated interests of RMB17,160,000. As a result of the debt restructuring, the Group would record a reduction in cost of properties under development of approximately RMB16,585,000.

(iv) The Group has convened meetings with the creditors and banks to negotiate and restructure debts settlement arrangements. The negotiation is in progress and no final resolution of the debts settlement arrangements has been made up to the date of this report.

(v) On 24 December 2003, Sallmanns (Far East) Limited, an independent property valuer, has carried out a valuation of Phase I of the Nanjing City Plaza on the depreciated replacement cost basis as at 30 November 2003 at RMB656,976,000. The Financial Information of the Group did not incorporate any revaluation surplus arising from the above valuation.

8 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 31 October 2003.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

A. UNAUDITED PROFORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following statement of proforma unaudited adjusted consolidated net tangible assets of the Group based on the audited consolidated net tangible assets of the Group as at 31 March 2003 after taking into account the effects of the Open Offer, the Proposed Acquisition and certain other subsequent events of the Group since 31 March 2003, as described below:

	HK$'000
Audited consolidated net assets of the Group as at 31 March 2003	135,491
Less: Deferred taxation	(2,468)
Audited and restated consolidated net tangible assets of the Group as at 31 March 2003	133,023
Add: Unaudited consolidated profit of the Group for the six months ended 30 September 2003 (inclusive of revaluation surplus) *(Notes 1 and 2)*	15,106
Unaudited consolidated net tangible assets of the Group as at 30 September 2003	148,129
Add: Net proceeds from the Open Offer, net of expenses	131,695
Add: 25% of net assets of Nanjing City Plaza as at 31 October 2003	35,896
Less: Consideration in cash for the Proposed Acquisition	(90,000)
Proforma unaudited adjusted consolidated net tangible assets of the Group	225,720
Proforma unaudited adjusted consolidated net tangible assets per Share (based on 1,657,440,000 Shares in issue on the Latest Practicable Date)	HK$0.14

Notes:

1. The Company has appointed Chesterton Petty Limited, an independent firm of professional valuer, to carry out a valuation of the Group's property interests as at 30 September 2003, a summary of which is set out in Appendix II to this document.

2. As it is the intention of the Directors to hold the Group's property interests, which are the subject of the valuation by Chesterton Petty Limited set out in Appendix II to this document, for long term purpose, no tax liability will crystalise for the Group on any disposal if any of such property interests of the Group at the amount of the valuation.

B. INDEBTEDNESS

At the close of business on 30 November 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK$206.6 million, comprising secured bank borrowings of approximately HK$194.9 million, and unsecured loan of HK$11.7 million from a related company.

Save as referred to above or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, as at the close of business on 30 November 2003, any mortgages, charges, debentures or other loan capital or bank overdraft, loans or other similar indebtedness or hire-purchase commitments or any guarantees or other material contingent liabilities.

C. MATERIAL ADVERSE CHANGES

Save as disclosed in the Company's interim report for the six months ended 30 September 2003, an extract of which is set out on pages 84 to 97 under the paragraph headed "Unaudited interim financial information" in this Appendix and the Open Offer, the Directors are not aware of any material changes in the financial or trading position or prospects of the Group since 31 March 2003, being the date of the latest audited consolidated financial statements of the Group were made up.

D. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the estimated net proceeds of approximately HK$131,695,000 derived from the Open Offer, the Group has sufficient working capital for its present requirements.

E. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated results of the Group for each of the three years ended 31 March 2003 and the audited consolidated balance sheets of the Group as at 31 March 2001, 31 March 2002 and 31 March 2003. The information is extracted from the audited consolidated financial statements of the Group:

Results

	Year ended 31 March		
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	23,175	23,051	23,203
Direct outgoings	(322)	(1,772)	(3,420)
	22,853	21,279	19,783
Other revenue	2,529	6,480	22,136
Other net loss	(2,272)	–	–
Administrative expenses	(5,644)	(9,445)	(17,295)
Other operating expenses	(2,668)	(1,106)	–
Gain on disposal of interest in associates	5,112	17,877	–
Provision for impairment in value of goodwill	–	(78,400)	–
Provision for losses on restructuring	–	–	(590,700)
Provision for impairment in value of other investments	(60,000)	–	–
Deficit on revaluation of investment properties	(15,080)	(70)	(25,000)
Loss on disposal of a property under redevelopment	–	–	(339,344)
Loss from operations	(55,170)	(43,385)	(930,420)
Finance costs	(15,792)	(31,743)	(94,138)
Share of loss of an associate	–	(3,837)	(99,811)
Loss from ordinary activities before taxation	(70,962)	(78,965)	(1,124,369)
Taxation	(1,000)	–	(18)
Loss attributable to shareholders	(71,962)	(78,965)	(1,124,387)
Loss per share – Basic	HK$0.02	HK$0.04	HK$2.78

Assets and liabilities

	Year ended 31 March		
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
TOTAL ASSETS	360,615	482,865	591,097
TOTAL LIABILITIES	225,124	355,790	698,701
	135,491	127,075	(107,604)

F. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated profit and loss account of the Group for each of the three years ended 31 March 2003, the audited consolidated balance sheet of the Group as at 31 March 2001, 2002 and 2003 and the audited cash flow statement for the two years ended 31 March 2002 and 31 March 2003 together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 March 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Year ended 31 March		
		2003	**2002**	**2001**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	2	23,175	23,051	23,203
Direct outgoings		(322)	(1,772)	(3,420)
		22,853	21,279	19,783
Other revenue	3	2,529	6,480	22,136
Other net loss	3	(2,272)	–	–
Administrative expenses		(5,644)	(9,445)	(17,295)
Other operating expenses		(2,668)	(1,106)	–
Gain on disposal of interest in associates		5,112	17,877	–
Provision for impairment in value of goodwill		–	(78,400)	–
Provision for losses on restructuring		–	–	(590,700)
Provision for impairment in value of other investments		(60,000)	–	–
Deficit on revaluation of investment properties		(15,080)	(70)	(25,000)
Loss on disposal of a property under redevelopment		–	–	(339,344)
Loss from operations		(55,170)	(43,385)	(930,420)
Finance costs	4(a)	(15,792)	(31,743)	(94,138)
Share of loss of an associate		–	(3,837)	(99,811)
Loss from ordinary activities before taxation	4	(70,962)	(78,965)	(1,124,369)
Taxation	5(a)	(1,000)	–	(18)
Loss attributable to shareholders	8	(71,962)	(78,965)	(1,124,387)
Loss per share – Basic	9	HK$0.02	HK$0.04	HK$2.78

The notes on pages 60 to 83 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 March		
		2003	**2002**	**2001**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Fixed assets	10	336,146	350,730	350,824
Interest in an associate	12	–	–	–
Other investments	13	3,000	–	–
		339,146	350,730	350,824
Current assets				
Interests in subsidiaries		–	–	68,200
Interests in associate		–	–	163,600
Properties held for resale		–	–	1,000
Other investment		–	–	1,200
Trading securities	14	2,840	–	–
Accounts receivable	15	4,061	3,306	3,831
Prepayments, deposits and other receivables		1,466	1,733	623
Cash and cash equivalents	16	13,102	127,096	1,819
		21,469	132,135	240,273
Current liabilities				
Interest-bearing bank loans and other borrowings	17	10,992	8,394	491,036
Amounts due to related companies	18	13,616	91,446	1,437
Other payables and accruals		17,654	20,761	46,015
Promissory note payable		–	–	63,000
Taxation	5(b)	950	–	18
		43,212	120,601	601,506
Net current (liabilities)/assets		(21,743)	11,534	(361,233)
Total assets less current liabilities		317,403	362,264	(10,409)
Non-current liabilities				
Interest-bearing bank loans and other borrowings	17	(181,912)	(175,189)	(97,195)
Convertible bonds	19	–	(60,000)	–
		(181,912)	(235,189)	(97,195)
		135,491	127,075	(107,604)

		As at 31 March		
		2003	**2002**	**2001**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves				
Share capital	21	999,720	479,320	148,500
Reserves	22	(864,229)	(352,245)	(256,104)
		135,491	127,075	(107,604)

The notes on pages 60 to 83 form part of these financial statements.

BALANCE SHEET

		As at 31 March		
		2003	**2002**	**2001**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Fixed assets	10	346	–	24
Interest in subsidiaries	11	324,241	342,907	182,278
Other investments	13	3,000	–	–
		327,587	342,907	182,302
Current assets				
Interest in subsidiaries	11	10,992	8,394	68,200
Interest on associate		–	–	68,729
Properties held for resale		–	–	1,000
Other investment		–	–	1,200
Prepayments, deposits and other receivables		375	938	275
Cash and cash equivalents	16	10,603	121,471	7
		21,970	130,803	139,411
Current liabilities				
Interest-bearing bank loans and other borrowings	17	10,992	8,394	314,024
Amounts due to related companies	18	13,616	91,446	1,437
Other payables and accruals		7,471	11,318	30,039
		32,079	111,158	345,500
Net current (liabilities)/assets		(10,109)	19,645	(206,089)
Total assets less current liabilities		317,478	362,552	(23,787)
Non-current liabilities				
Interest-bearing bank loans and other borrowings	17	(181,912)	(175,189)	(97,195)
Convertible bonds	19	–	(60,000)	–
		(181,912)	(235,189)	(97,195)
		135,566	127,363	(120,982)

		As at 31 March		
		2003	**2002**	**2001**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves				
Share capital	21	999,720	479,320	148,500
Reserves	22	(864,154)	(351,957)	(269,482)
		135,566	127,363	(120,982)

The notes on pages 60 to 83 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March	
	2003	**2002**
	HK$'000	*HK$'000*
Shareholders' equity at the beginning of the year	127,075	(107,604)
Surplus on revaluation of other investments	3,000	–
Exchange loss released upon disposal of an associate	–	84
Release of goodwill upon disposal of an associate	–	(14,124)
Net gains/(losses) not recognised in the profit and loss account	3,000	(14,040)
Net loss for the year	(71,962)	(78,965)
Movements in share capital and reserves		
– Issue of new ordinary shares under the Placement	60,000	73,700
– Issue of new ordinary shares under Rights Issue	460,400	86,120
– Issue of new preference shares	–	171,000
– Bonus issue	(441,984)	–
– Share issue expenses	(1,038)	(3,136)
Net increase in shareholders' equity arising from capital transactions	77,378	327,684
Shareholders' equity at the end of the year	135,491	127,075

The notes on pages 60 to 83 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

		Year ended 31 March	
		2003	2002
			restated
	Note	*HK$'000*	*HK$'000*
Operating activities			
Loss from ordinary activities before taxation		(70,962)	(78,965)
Adjustments for:			
– Interest income		(1,656)	(709)
– Depreciation		16	–
– Provision for impairment in value of other investments		60,000	–
– Deficit on revaluation of investment properties		15,080	70
– Finance costs		15,792	31,743
– Gain on disposal of interest in associates		(5,112)	(17,877)
– Net unrealised loss in respect of trading securities		2,272	–
– Provision for doubtful debts		2,612	1,106
– Provision for impairment in value of goodwill		–	78,400
– Share of loss of an associate		–	3,837
– Fixed assets written off		–	24
– Gain on disposal of other investments		–	(5,295)
Operating results before changes in working capital		18,042	12,334
Decrease/(increase) in prepayments, deposits and other receivables		267	(1,337)
Increase in accounts receivable		(3,367)	(354)
(Decrease)/increase in other payables and accruals		(616)	1,501
Increase in amounts due to related companies		–	483
Cash generated from operations		14,326	12,627
Hong Kong profits tax paid		(50)	(18)
Net cash from operating activities		14,276	12,609
Investing activities			
Purchases of fixed assets		(512)	–
Proceeds from disposal of other investments		–	5,295
Interest received		1,656	709
Acquisition of an associate		–	(44,700)
Net cash from/(used in) investing activities		1,144	(38,696)

		Year ended 31 March	
		2003	**2002**
			restated
	Note	*HK$'000*	*HK$'000*
Financing activities			
Gross proceeds from issue of shares		18,416	126,120
Share issue expenses		(1,038)	(3,136)
New bank loans		24,321	168,583
Repayment of promissory notes		(15,000)	(55,841)
Repayment of loan from a related company		(89,526)	–
Loans from related companies		11,696	85,038
Repayment of convertible bonds		(60,000)	–
Other borrowing costs paid		(18,283)	(36,954)
Issue of convertible bonds		–	60,000
Bank charges and refinancing charges		–	(3,239)
Repayment of other borrowings		–	(12,195)
Repayment of a bank loan		–	(177,012)
Net cash (used in)/from financing activities		(129,414)	151,364
Net (decrease)/increase in cash and cash equivalents		(113,994)	125,277
Cash and cash equivalents at the beginning of the year	16	127,096	1,819
Cash and cash equivalents at the end of the year		13,102	127,096
Analysis of balance of cash and cash equivalents			
Cash and bank balances		2,152	2,117
Non-pledged time deposits with original maturity of less than three months when acquired		10,950	124,979
		13,102	127,096

The notes on pages 60 to 83 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the 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 on 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

(i) 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.

(ii) Notwithstanding the net current liabilities of the Group at 31 March 2003, the financial statements have been prepared on a going concern basis since the major shareholder has confirmed that it is its present intention to do its best to obtain financial resources in order to provide such financial assistance as is necessary to maintain the group as a going concern.

(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.

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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).

(d) Associates

An associate is a company in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate 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 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 associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate 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.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(i)), 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 profit and loss account as they arise.

(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:

– for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(i)); and

– for acquisitions on or after 1 January 2001, 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(i)).

In respect of acquisitions of associates, 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 and any impairment losses (see note 1(i)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

– for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

– for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

– for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

– for associates, such negative goodwill is included in the carrying amount of the interest in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(ii) Other investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the 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 revaluation reserve to the profit and loss account.

(iii) Transfers from the revaluation reserve to the profit and loss account as a result of impairments are 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.

(iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

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

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and

– furniture, fixtures and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.

(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. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

(h) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(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

(i) 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 and associates (except for those accounted for at fair value under note 1(d)); and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

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 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.

(j) 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.

(k) 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 Funds 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 on exercise of share options.

(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.

(l) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or 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.

(n) 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) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(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.

(o) 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.

(p) 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.

(q) Segment reporting

The Group's operating results are almost entirely attributable to its property investment activities in Hong Kong. Accordingly, no segmental analysis is provided.

2 TURNOVER

The principal activity of the Group is property development and investment.

Turnover represents the gross rental income derived from the investment properties during the year.

3 OTHER REVENUE AND OTHER NET LOSS

	2003	2002
	HK$'000	*HK$'000*
Other revenue		
Interest income	1,656	709
Rentals receivable from other assets, other than those relating to investment properties	252	54
Gain on disposal of other investments	–	5,295
Others	621	422
	2,529	6,480
Other net loss		
Net unrealised loss in respect of trading securities	(2,272)	–

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003	2002
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	9,652	25,150
Interest on bank loans repayable beyond five years	3,140	3,354
Premium paid on redemption of convertible bonds	3,000	–
Refinancing charges	–	3,239
	15,792	31,743
(b) Staff costs (including directors' remuneration *(note 6)*):		
– Wages and salaries	1,257	1,379
– Retirement costs	16	–
	1,273	1,379

	2003	**2002**
	HK$'000	*HK$'000*
(c) Other items:		
Provision for doubtful debts	2,612	1,106
Auditors' remuneration	390	400
Depreciation	16	–
Rentals receivable from investment properties less direct outgoings of HK$322,000 (2002: HK$1,772,000)	(22,853)	(21,279)

5 TAXATION

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

	2003	**2002**
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	1,000	–

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year.

The potential deferred tax liability attributable to accelerated depreciation allowances has not been provided in the financial statements as the timing differences are not likely to crystallise in the foreseeable future. The potential liability for unprovided deferred taxation for the year amounts to:

	2003	**2002**
	HK$'000	*HK$'000*
Depreciation allowances in excess of related depreciation	2,698	2,268

The potential deferred tax asset which represents the tax effect of timing differences due to tax losses available to set off against future assessable profits has not been recognised in the financial statements as its realisation is not assured beyond reasonable doubt.

(b) Taxation in the balance sheet represents:

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	1,000	–
Provisional Profits Tax paid	(50)	–
	950	–

6 DIRECTORS' REMUNERATION

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

	2003	**2002**
	HK$'000	*HK$'000*
Fees:		
– Executive	–	–
– Non-executive	–	–
– Independent non-executive	–	500
	–	500
Salaries and other emoluments – executive	896	879
Retirement costs	16	–
	912	1,379

The remuneration of the Directors is within the following bands:

	Number of directors	
	2003	**2002**
HK$Nil to HK$1,000,000	7	4
HK$1,000,001 to HK$1,500,000	–	–
	7	4

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: none).

In addition to the above remuneration, 47,180,000 share options granted to the directors in respect of their services to the Group were cancelled. No value in respect of the share options granted during the year has been charged to the profit and loss account.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid employees are all Directors, details of whose remuneration are disclosed in note 6. In the prior year, remuneration was paid to four employees only and all of whom were Directors and fell within the band of HK$Nil to HK$1,000,000.

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK$72,175,000 (2002: HK$79,339,000).

9 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK$71,962,000 (2002: HK$78,965,000), and the weighted average of 3,143,494,000 (2002: 2,159,444,000) ordinary shares in issue during the year, after taking into account of the effect of the Open Offer during the year. The weighted average number of ordinary shares in issue for the year ended 31 March 2002 was restated because there was a bonus element resulting from the Open Offer during the year.

The exercise of the subscription rights conferred by the redeemable convertible preference shares and share options would not have any dilutive effect on the loss per share for the years ended 31 March 2002 and 2003.

10 FIXED ASSETS

(a) The Group

	Furniture, fixtures and other fixed assets	**Investment properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost or valuation:			
At 1 April 2002	–	350,730	350,730
Additions	362	150	512
Deficit on revaluation	–	(15,080)	(15,080)
At 31 March 2003	362	335,800	336,162
Representing:			
Cost	362	–	362
Valuation – 2003	–	335,800	335,800
	362	335,800	336,162
Accumulated depreciation:			
At 1 April 2002	–	–	–
Charge for the year	16	–	16
At 31 March 2003	16	–	16
Net book value:			
At 31 March 2003	346	335,800	336,146
At 31 March 2002	–	350,730	350,730

(b) The Company

	Furniture, fixtures and other fixed assets
	HK$'000
Cost:	
Additions and at 31 March 2003	362
Accumulated depreciation:	
Charge for the year and at 31 March 2003	16
Net book value:	
At 31 March 2003	346
At 31 March 2002	–

(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:

	2003	**2002**
	HK$'000	*HK$'000*
Long-term leases	335,000	350,000
Medium-term leases	800	730
	335,800	350,730

(d) Investment properties of the Group situated in Hong Kong were revalued by Chesterton Petty Limited, independent professional qualified valuers, who have among their Members of Hong Kong Institute of Surveyors on an open market value basis at 31 March 2003.

(e) Certain of the above investment properties with an aggregate carrying value of HK$335,000,000 (2002: HK$350,000,000) have been pledged to a bank for bank loans (note 17).

(f) The Group leases out investment properties under operating lease arrangements, with leases negotiated for an initial period of one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases includes contingent rentals.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases receivable as follows:

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Within one year	18,953	17,678
In the second to fifth years, inclusive	8,388	9,446
	27,341	27,124

11 INTEREST IN SUBSIDIARIES

	The Company	
	2003	**2002**
	HK$'000	*HK$'000*
Unlisted shares, at cost	197,075	197,075
Amounts due from subsidiaries	301,750	249,500
	498,825	446,575
Less: impairment loss	(163,592)	(95,274)
	335,233	351,301
Portion classified as current assets	(10,992)	(8,394)
	324,241	342,907

The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months following the balance sheet date, except for:

(i) an amount of HK$162,258,000 (2002: HK$170,228,000) due from a subsidiary at 31 March 2003, which bears interest at prime rate plus 1% (2002: 1%) per annum; and

(ii) an amount of HK$10,992,000 (2002: HK$8,394,000) due from a subsidiary, which is repayable within one year and is therefore classified as a current asset in the Company's balance sheet.

The following list contains only 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.

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

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	a subsidiary	Principal activities
Genuine Glory Investments Limited	Hong Kong	HK$2	100	–	Property investment
Master Profit Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Perfect Manor Limited	Hong Kong	HK$2	–	100	Property investment
Max Cyber Development Inc.	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Metro Fair Investment Limited	Hong Kong	HK$2	–	100	Property investment
Can Do Enterprises Limited	Hong Kong	HK$2	100	–	Investment holding

12 INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	–	–	–	–
Goodwill on acquisition	–	78,400	–	–
	–	78,400	–	–
Less: impairment loss	–	(78,400)	–	–
	–	–	–	–

On 12 August 2002, Max Cyber Development Inc., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party for the disposal of its 49% equity interests in Masterful Resources Limited ("Masterful") at a total consideration of HK$56,800,000 (the "Masterful Disposal"). The consideration for the Masterful Disposal was satisfied by the issue of 284,000,000 new ordinary shares of eCyberChina Holdings Limited ("eCyberChina") at par of HK$0.20 each. On the transaction date, the market value of the aforementioned eCyberChina shares amounted to HK$5,112,000 and was recognised as a gain on disposal of interest in associates. The eCyberChina shares have been classified as trading securities (note 14). The Masterful Disposal was completed on 5 September 2002.

13 OTHER INVESTMENTS

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity securities	60,000	–	–	–
Less: impairment loss	(60,000)	–	–	–
	–	–	–	–
Others	3,000	–	3,000	–
	3,000	–	3,000	–

The Group's unlisted equity securities represent a 30% equity interest in Power Insight Investments Limited ("Power Insight"), a company engaged in the supply and trading of liquid petroleum gas in bulk and in cylinders, the provision of piped gas and the sale of LPG household appliances in the PRC. In the opinion of the directors, the Group is not in a position to exercise significant influence over the financial and operating policies of Power Insight and accordingly, these equity securities have not been equity accounted for.

Others represents three club debentures held, which were revalued by the Directors during the year taking into account the prevailing saleable value of the debentures.

14 TRADING SECURITIES

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at market value *(note 12)*	2,840	–

15 ACCOUNTS RECEIVABLE

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, net of provisions for doubtful debts, is as follows:

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Outstanding balances aged:		
– Within 1 month	1,675	1,390
– 1 to 3 months	1,179	1,456
– Over 3 months	1,207	460
	4,061	3,306

16 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	2,152	2,117	596	127
Time deposits	10,950	124,979	10,007	121,344
Cash and cash equivalents	13,102	127,096	10,603	121,471

17 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	The Group and the Company	
	2003	**2002**
	HK$'000	*HK$'000*
Bank loans, secured	192,904	168,583
Promissory notes, unsecured	–	15,000
Total bank loans and other borrowings	192,904	183,583
Portion classified as current liabilities	(10,992)	(8,394)
Long-term portion	181,912	175,189

Bank loans

	The Group and the Company	
	2003	**2002**
	HK$'000	*HK$'000*
Bank loans are repayable:		
– Within 1 year	10,992	8,394
– In the second year	11,383	8,710
– In the third to fifth years, inclusive	30,261	26,132
– Beyond 5 years	140,268	125,347
	192,904	168,583

The bank loans are secured by certain investment properties of the Group with an aggregate carrying value of HK$335,000,000 (2002: HK$350,000,000) (note 10(e)) and an assignment of the rental income derived therefrom.

Promissory notes

	The Group and the Company	
	2003	**2002**
	HK$'000	*HK$'000*
Promissory notes are repayable:		
– Within 1 year	–	–
– In the second year	–	15,000
	–	15,000

The promissory notes existing at 31 March 2002 were repaid on 18 September 2002

18 AMOUNTS DUE TO RELATED COMPANIES

Included in the amounts due to related companies is an unsecured loan of HK$11,696,000 obtained from a related company, which is under common directorship. The loan bears interest at a rate of 3% per annum and is repayable on or before 7 February 2004.

19 CONVERTIBLE BONDS

On 4 January 2002, the Company issued convertible bonds for an aggregate principal amount of HK$60,000,000 at par to certain independent investors (the "Bonds"). The original maturity date of the Bonds was 4 January 2005 (the "Maturity Date"). The Bonds bore interest at a rate of 5% per annum payable semi-annually in arrears on 30 June and 31 December.

The holders of the Bonds had the option to convert the principal outstanding amount of the Bonds in whole or in part into ordinary shares of the Company at any time before the Maturity Date at the conversion price of HK$0.25 per share (subject to adjustment).

At any time after the expiry of 12 months from the issue date, the Company had the right to redeem the whole (but not part) of the outstanding Bonds at the redemption amount which is 105% of the principal amount of the Bonds to be redeemed together with accrued interest thereon.

On 5 March 2003, the Company redeemed all the Bonds at the redemption amount of HK$63,000,000 with accrued interest.

20 EQUITY COMPENSATION BENEFITS

The Company had a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Company's executive Directors and other eligible employees of the Group. The Old Scheme became effective on 13 December 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

After the adoption of the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with effect on 1 September 2001, certain terms of the Old Scheme required amendments in order to comply with the new requirements under Chapter 17 of the Listing Rules. During the year, no options were granted under the Old Scheme after the new requirements of Chapter 17 of the Listing Rules became effective. At the annual general meeting of the Company held on 16 September 2002, resolutions were passed to terminate the Old Scheme and a new share options scheme was adopted (the "New Scheme").

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants, including the Directors (including independent non-executive Directors), other eligible employees of the Group, suppliers of goods or services to the Group, customers of the Group and any minority shareholder of the Company's subsidiaries. The New Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of the Company in respect of which share options may be granted under the New Scheme, shall not, when aggregate with any shares subject to any other scheme, exceed 10% of the issued share capital of the Company from time to time, excluding the number of shares issued and allotted pursuant to the New Scheme. The maximum number of each participant under the New Scheme is equal to the maximum limit permitted under the Listing Rules.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with HK$1.00 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 the tenth anniversary of the New Scheme's effective date.

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 offer date; (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 offer date; and (iii) the nominal value of a share.

The share options granted by the Company to the grantee under the Old Scheme will not be affected by the New Scheme and the following share options were outstanding under the Old Scheme during the year:

	Number of share options							
Name of Director	At 1 April 2002	Granted during the year*	Cancelled during the year**	At 31 March 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options	Company's share price at grant date of options***
Yeung Sau Chung	23,590,000	–	(23,590,000)	–	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176
Liu Shun Chuen	23,590,000	–	(23,590,000)	–	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176

* The share options were granted to the Directors on 22 June 2001.

** The number of share options outstanding was cancelled on 28 January 2003.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

The Directors do not consider that it is appropriate to disclose a theoretical value of the share options granted during the year because the Directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself. The Directors consider that such disclosure does not give additional value in view of the abovementioned limitations surrounding these models.

21 SHARE CAPITAL

Shares

	Ordinary shares of HK$0.25 each		**'A' Preference shares of HK$0.25 each**		**'B' Preference shares of HK$0.25 each**		
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Total**
	(thousand)	*HK$'000*	*(thousand)*	*HK$'000*	*(thousand)*	*HK$'000*	*HK$'000*
Authorised:							
At 31 March 2003	10,000,000	2,500,000	400,000	100,000	284,000	71,000	2,671,000
At 31 March 2002	3,920,000	980,000	400,000	100,000	284,000	71,000	1,151,000

Pursuant to a resolution of an extraordinary general meeting held on 22 June 2002, the authorised share capital of the Company was further increased from 4,604,000,000 shares to 10,684,000,000 shares by the creation of additional 6,080,000,000 new ordinary shares of HK$0.25 each.

		Ordinary shares of HK$0.25 each		'A' Preference shares of HK$0.25 each		'B' Preference shares of HK$0.25 each		
		Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Total**
	Note	*(thousand)*	*HK$'000*	*(thousand)*	*HK$'000*	*(thousand)*	*HK$'000*	*HK$'000*
Issued and fully paid:								
At 1 April 2001		594,000	148,500	–	–	–	–	148,500
Issue of preference shares		–	–	400,000	100,000	284,000	71,000	171,000
Issue of new shares		294,800	73,700	–	–	–	–	73,700
Rights issue		344,480	86,120	–	–	–	–	86,120
At 31 March 2002		1,233,280	308,320	400,000	100,000	284,000	71,000	479,320
At 1 April 2002		1,233,280	308,320	400,000	100,000	284,000	71,000	479,320
Issue of new shares	(a)	240,000	60,000	–	–	–	–	60,000
Open offer and bonus shares issued	(b)	1,841,600	460,400	–	–	–	–	460,400
At 31 March 2003		3,314,880	828,720	400,000	100,000	284,000	71,000	999,720

Notes:

(a) On 23 August 2002, 240,000,000 new ordinary shares were issued at HK$0.25 each as consideration for the acquisition of a 30% equity interest in Power Insight, which is engaged in the business of supply and trading of liquid petroleum gas and the sale of LPG household appliances.

(b) On 7 January 2003, a rights issue of 73,664,000 new shares of HK$0.25 each was made to the Shareholders at the issue price of HK$0.25 each and on the basis of one rights issue share for every twenty existing shares held. On the same date, a bonus issue of 1,767,936,000 new shares of HK$0.25 each was made to the subscribers of the aforementioned rights issue at the issue price of HK$0.25 each and on the basis of twenty four bonus shares for one aforementioned rights issue share subscribed. An aggregate consideration before expenses of HK$460,400,000 has been credited to the Company's share capital.

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 HK$0.90, HK$1.50 and HK$2.50 during Conversion Periods I, II and III, respectively, as set out below.

	'A' Preference Shares	**'B' Preference Shares**
Conversion period I	not more that HK$33,333,327 equivalent nominal value shall become convertible within a period of 12 months from the date of issue	not more than HK$23,666,661 equivalent nominal value shall become convertible within a period of 12 months from the date of issue
Conversion period II	not more than a further HK$33,333,333 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 a further HK$23,666,664 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 HK$33,333,340 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 HK$23,666,675 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 HK$1.00 per Preference Share.

No Preference Shares were converted or redeemed during the year. Upon full conversion of the Preference Shares into ordinary shares of the Company at the pre-determined conversion price set out above, an aggregate of approximately 124,133,324 ordinary shares of the Company would be issued, which represents approximately 3.74% of the Company's existing issued share capital of 3,314,880,000 ordinary shares and approximately 3.61% of the Company's enlarged share capital of 3,439,013,324.

22 RESERVES

The Group

	Share premium	Revaluation reserve	Exchange fluctuation reserve	General reserve	Capital reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2001	544,381	–	(84)	6,000	19,124	(825,525)	(256,104)
Share issue expenses	(3,136)	–	–	–	–	–	(3,136)
Release upon disposal of an associate	–	–	84	–	(14,124)	–	(14,040)
Loss for the year	–	–	–	–	–	(78,965)	(78,965)
At 31 March 2002	541,245	–	–	6,000	5,000	(904,490)	(352,245)
At 1 April 2002	541,245	–	–	6,000	5,000	(904,490)	(352,245)
Bonus share issue	(441,984)	–	–	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	–	–	3,000
Loss for the year	–	–	–	–	–	(71,962)	(71,962)
At 31 March 2003	98,223	3,000	–	6,000	5,000	(976,452)	(864,229)

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)).

The Company

	Share premium	Revaluation reserve	General reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2001	544,381	–	6,000	(819,863)	(269,482)
Share issue expenses	(3,136)	–	–	–	(3,136)
Loss for the year	–	–	–	(79,339)	(79,339)
At 31 March 2002	541,245	–	6,000	(899,202)	(351,957)
At 1 April 2002	541,245	–	6,000	(899,202)	(351,957)
Bonus share issue	(441,984)	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	3,000
Loss for the year	–	–	–	(72,175)	(72,175)
At 31 March 2003	98,223	3,000	6,000	(971,377)	(864,154)

23 COMMITMENTS

Capital commitments outstanding at 31 March 2003 not provided for in the financial statements were as follows:

	The Group and the Company	
	2003	**2002**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisition of a subsidiary	400,000	400,000

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 ("Growing China"), a company incorporated in the British Virgin Islands, at a consideration of HK$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu in the Sichuan Province, the PRC. Part of the consideration of HK$340,000,000 is expected to be satisfied by the issue and allotment of approximately 301,000,000 new ordinary shares of the Company and the remaining balance of HK$60,000,000 in cash. The agreement has yet to become unconditional and parties to the agreement agreed on 19 December 2000 to extend the long stop date of the agreement to such date as the parties may agree in writing. In the opinion of the Directors, unless the parties mutually agree to complete the acquisition, no payment under the agreement will be made within the next twelve months from the date of this report.

24 RETIREMENT BENEFITS 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 Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$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.

25 POST BALANCE SHEET EVENTS

(a) Capital reorganization

On 11 April 2003, special resolutions were passed at an extraordinary general meeting of the Company to implement a capital reorganization which, in summary, involved the following:

(i) a reduction of the issued ordinary share capital of the Company of HK$828,720,000 divided into 3,314,880,000 ordinary shares of HK$0.25 each to HK$33,148,800 divided into 3,314,880,000 ordinary shares of HK$0.01 each and the issued preference share capital of HK$171,000,000 divided into 684,000,000 preference shares of HK$0.25 each to HK$6,840,000 divided into 684,000,000 preference shares of HK$0.01 each ("Capital Reduction").

The credit of HK$959,731,200 resulting from the Capital Reduction of the Company will be set off, to the extent permitted by and subject to such conditions as may be imposed by the High Court of the Hong Kong Special Administrative Region ("Court"), against the accumulated losses of the Company;

(ii) a sub-division of the authorised but unissued ordinary shares of HK$0.25 each into 25 ordinary shares of HK$0.01 each ("Share Sub-division");

(iii) an increase of the authorised ordinary share capital of the Company to HK$2,500,000,000, by the creation of not less than 79,557,120,000 new ordinary shares of HK$0.01 each ("Capital Increase"); and

(iv) the consolidation of 10 ordinary shares of HK$0.01 each and 10 preference shares of HK$0.01 each after such Capital Reduction into one new consolidated share of HK$0.10 ("Consolidated Shares") and one new consolidated preference share of HK$0.10 ("Consolidated Preference Shares") respectively (the "Share Consolidation") (collectively as "Capital Reorganisation").

Further details of the Capital Reorganisation are also set out in the circular of the Company dated 19 March 2003.

On 25 June 2003, by an order of the Court ("Court Order"), the Capital Reduction was confirmed. And upon filing of the Court Order and minutes of the Company with the Companies Registrar, the Capital Reorganisation became effective on 26 June 2003.

The Company has given certain undertakings to the Court. Details of such undertakings are summarised in the Report of the Directors.

(b) Refinancing

On 11 April 2003, a subsidiary of the Company has entered into a new banking facility of HK$200,000,000 granted by the bank. The new bank loan was drawn on 12 June 2003 to refinance its existing bank borrowings.

26 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current financial year as a result of adopting revised Statements of Standard Accounting Practice ("SSAPs"). The Statement of Recognised Gains and Losses was replaced by the Statement of Changes in Equity as required by the SSAP1 (revised) "Presentation of Financial Statements".

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirement of SSAP15 (revised 2001) "Cash Flow Statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been reclassified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities have been included on the face of the consolidated cash flow statement.

Comparative figures have been reclassified to conform with current year's presentation.

G. UNAUDITED INTERIM FINANCIAL INFORMATION

The following is extracted from the Company's unaudited interim report for the six months ended 30 September 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Six months ended 30 September 2003 HK$'000 (unaudited)	2002 HK$'000 (unaudited/ restated)
Turnover	3	12,944	11,553
Direct outgoings		(79)	(137)
Gross profit		12,865	11,416
Other revenue		366	1,364
Other net loss	4	(1,988)	–
Surplus on revaluation of investment properties		15,000	–
Gain on disposal of interest in associates		–	56,859
Unrealised holding loss on short term investment		–	(51,688)
Administrative expenses		(8,002)	(2,513)
Profit from operations	5	18,241	15,438
Finance costs		(2,795)	(7,071)
Share of loss of an associate		–	(59)
Profit before taxation		15,446	8,308
Taxation	6	(340)	(700)
Net profit attributable to shareholders		15,106	7,608
Earnings per share – Basic	7	$0.05	$0.02

The notes on pages 88 to 97 form part of the interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 September 2003 *HK$'000* *(unaudited)*	Six months ended 30 September 2002 *HK$'000* *(unaudited/ restated)*
Total equity at 1 April		
As previously reported	135,491	127,075
Prior period adjustments arising from changes in accounting policy for:		
– deferred taxation *(Note 1)*	(2,468)	(2,268)
As restated	133,023	124,807
Net profit for the period	15,106	7,608
Issue of shares, net of share issue expenses	–	59,960
Total equity at 30 September	148,129	192,375

The notes on pages 88 to 97 form part of the interim financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 30 September 2003 HK$'000 (unaudited)	As at 31 March 2003 HK$'000 (audited/ restated)
NON-CURRENT ASSETS			
Fixed assets	8	351,136	336,146
Other investments		3,000	3,000
		354,136	339,146
CURRENT ASSETS			
Trading securities	9	–	2,840
Accounts receivable	10	3,911	4,061
Prepayment, deposits and other receivables		902	1,466
Cash and cash equivalents		17,968	13,102
		22,781	21,469
CURRENT LIABILITIES			
Interest-bearing bank loan (secured)	11	12,466	10,992
Amounts due to related companies	12	12,190	13,616
Other payables and accruals		15,846	17,654
Taxation		1,022	950
		41,524	43,212
NET CURRENT LIABILITIES		(18,743)	(21,743)
TOTAL ASSETS LESS CURRENT LIABILITIES		335,393	317,403
NON-CURRENT LIABILITIES			
Interest-bearing bank loan (secured)	11	(184,456)	(181,912)
Deferred taxation		(2,808)	(2,468)
		(187,264)	(184,380)
		148,129	133,023
CAPITAL AND RESERVES			
Share capital	13	39,989	999,720
Reserves	14	108,140	(866,697)
		148,129	133,023

The notes on pages 88 to 97 form part of the interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,691	5,562
NET CASH INFLOW FROM INVESTING ACTIVITIES	952	–
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	1,223	(8,850)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,866	(3,288)
Cash and cash equivalents at beginning of the period	13,102	127,096
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17,968	123,808
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	17,968	123,808

The notes on pages 88 to 97 form part of the interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

(a) The interim financial statements (the "Interim Report") are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants (the "HKSA").

The Interim Report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 31 March 2003 included in the Interim Report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2003 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 July 2003.

The same accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2003 have been applied to the Interim Report except for the adoption of the revised SSAP 12 "Income taxes", which is effective for accounting periods commencing on or after 1 January 2003.

The notes on the Interim Report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2003 annual financial statements.

(b) In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenses, which were expected with reasonably probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 April 2003, in order to comply with SSAP 12 (revised) issued by the HKSA, the Group has adopted a new policy for deferred taxation as follows:

Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the taxes respectively. 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. The limited exceptions are temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable temporary differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible temporary differences, unless it is probable that they will reverse in the future.

The amount of deferred tax provided is 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.

The new accounting policy has been adopted retrospectively, with the opening balance of accumulated losses and the comparative information adjusted for the amounts relating to prior periods. As a result of the adoption of this accounting policy, the profit for the six months ended 30 September 2003 has been decreased by HK$340,000 (six months ended 30 September 2002: HK$100,000) and the net assets as at the period end have been decreased by HK$2,808,000 (at 31 March 2003: HK$2,468,000).

2. PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of its subsidiaries have not changed during the period and consisted of property investments and other investments in Hong Kong and the PRC.

3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the gross rental income and management fees derived from the investment properties during the period.

The Group’s operating results are almost entirely attributable to its property investment activities in Hong Kong. Accordingly, no segmental analysis is provided.

4. OTHER NET LOSS

	Six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Net realised loss on trading securities	(1,988)	–

5. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):–

	Six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Staff costs (including directors' remuneration)		
Wages and salaries	3,390	198
Retirement costs	87	7
	3,477	205
Depreciation	50	–
Provision for doubtful debts	89	–
Interest income	(140)	(956)

6. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for the period.

Deferred taxation has been provided in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

	Six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited/ restated)*
Current taxation		
Provision for Hong Kong Profits Tax for the period	–	600
Deferred taxation		
Origination and reversal of temporary differences	108	100
Effect of increase in tax rate on deferred tax	232	–
Total taxation	340	700

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the period ended 30 September 2003 of HK$15,106,000 (2002: HK$7,608,000 (as restated)) and the weighted average of 331,488,000 (2002: 323,975,000 (as restated)) ordinary shares in issue during the period.

The exercise of the subscription rights conferred by the redeemable convertible preference shares would not have any dilutive effect on the earnings per share for the periods ended 30 September 2003 and 2002. There are no other potentially dilutive securities.

8. FIXED ASSETS

(a) Investment properties of the Group situated in Hong Kong were revalued by Chesterton Petty Limited, independent professional qualified valuers, who have amongst themselves members of the Hong Kong Institute of Surveyors, on an open market value basis at 30 September 2003. The increase in fixed assets during the current period substantially represents HK$15,000,000 increase in investment properties following the current valuation.

(b) Certain of the above investment properties with an aggregate carrying value of HK$350,000,000 (31 March 2003: HK$335,000,000) have been pledged to a bank for bank loans (note 11).

(c) The Group leases out investment properties under operating lease arrangements, with leases negotiated for an initial period of one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. None of the leases includes contingent rentals.

At 30 September 2003, the Group had total future minimum lease payments under non-cancellable operating leases receivable as follows:

	As at	
	30 September 2003	**31 March 2003**
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Within one year	19,915	18,953
In the second to fifth years, inclusive	11,320	8,388
	31,235	27,341

9. TRADING SECURITIES

The trading securities represent the carrying value of 284 million ordinary shares in eCyber China Holdings Limited which were disposed of during the current period.

10. ACCOUNTS RECEIVABLE

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, net of provisions for doubtful debts, is as follows:

	As at	
	30 September 2003	**31 March 2003**
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Outstanding balances aged:		
– Within 1 month	1,772	1,675
– 1 to 3 months	1,077	1,179
– Over 3 months	1,062	1,207
	3,911	4,061

11. INTEREST-BEARING BANK LOAN

	As at 30 September 2003 HK$'000 (unaudited)	As at 31 March 2003 HK$'000 (audited)
Bank loan, secured	196,922	192,904
Portion classified as current liabilities	(12,466)	(10,992)
Long term portion	184,456	181,912

Bank loan

	30 September 2003	31 March 2003
The bank loan is repayable:		
Within one year	12,466	10,992
In the second year	13,089	11,383
In the third to fifth year, inclusive	40,722	30,261
Beyond five years	130,645	140,268
	196,922	192,904

The bank loans are secured by certain investment properties of the Group with an aggregate carrying value of HK$350,000,000 and an assignment of the rental income derived therefrom.

12. AMOUNTS DUE TO RELATED COMPANIES

Included in the amounts due to related companies is an unsecured loan of HK$11,696,000 obtained from a related company, which is under common directorship. The loan bears interest at a fixed rate of 3% per annum and is repayable on or before 27 February 2004.

13. SHARE CAPITAL

	As at			
	30 September 2003		31 March 2003	
	Number of shares *('000)*	*HK$'000*	Number of shares *('000)*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each *(Note)*	25,000,000	2,500,000		
Ordinary shares of HK$0.25 each			10,000,000	2,500,000
'A' Redeemable convertible preferences shares of HK$0.10 each *(Note)*	40,000	4,000		
'A' Redeemable convertible preferences shares of HK$0.25 each			400,000	100,000
'B' Redeemable convertible preferences shares of HK$0.10 each *(Note)*	28,400	2,840		
'B' Redeemable convertible preferences shares of HK$0.25 each			284,000	71,000
Issued and fully paid:				
Ordinary shares				
At the beginning of the period/year	3,314,880	828,720	1,233,280	308,320
Issue of new shares	–	–	240,000	60,000
Open offer and bonus shares issued	–	–	1,841,600	460,400
Capital reorganisation *(Note)*	(2,983,392)	(795,571)	–	–
At the end of the period/year	331,488	33,149	3,314,880	828,720
'A' Redeemable convertible preferences shares of HK$0.10 each *(Note)*	40,000	4,000		
'A' Redeemable convertible preferences shares of HK$0.25 each			400,000	100,000
'B' Redeemable convertible preferences shares of HK$0.10 each *(Note)*	28,400	2,840		
'B' Redeemable convertible preferences shares of HK$0.25 each			284,000	71,000
		39,989		999,720

Note:

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, involved a reduction of the issued ordinary share capital of the Company of HK$828,720,000 divided into 3,314,880,000 shares of HK$0.25 each to HK$33,148,800 divided into 3,314,880,000 shares of HK$0.01 each and the issued preference share capital of HK$171,000,000 divided into 684,000,000 preference shares of HK$0.25 each to HK$6,840,000 divided into 684,000,000 preference shares of HK$0.01 each (the "Capital Reduction").

The following took effect immediately after the Capital Reduction:

(a) subdividing each authorised but unissued ordinary share of HK$0.25 into 25 ordinary shares of HK$0.01 each;

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

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

14. RESERVES

	Share premium *HK$'000*	Revaluation reserve *HK$'000*	General reserve *HK$'000*	Capital reserve *HK$'000*	Special capital reserve *HK$'000*	Accumulated losses *HK$'000* *(restated)*	Total *HK$'000* *(restated)*
At 1 April 2002	541,245	–	6,000	5,000	–	(904,490)	(352,245)
Profit for the period	–	–	–	–	–	7,608	7,608
Issue of shares	(40)	–	–	–	–	–	(40)
At 30 September 2002	541,205	–	6,000	5,000	–	(896,882)	(344,677)
At 31 March 2003 (audited)							
– as previously reported	98,223	3,000	6,000	5,000	–	(976,452)	(864,229)
– prior period adjustments							
– deferred taxation	–	–	–	–	–	(2,468)	(2,468)
As restated	98,223	3,000	6,000	5,000	–	(978,920)	(866,697)
Capital reorganisation (Note 13)	–	–	–	–	64,788	894,943	959,731
Profit for the period	–	–	–	–	–	15,106	15,106
At 30 September 2003	98,223	3,000	6,000	5,000	64,788	(68,871)	108,140

15. CAPITAL COMMITMENT

	As at	
	30 September 2003 *HK$'000* *(unaudited)*	31 March 2003 *HK$'000* *(audited)*
Contracted, but not provided for		
Acquisition of a subsidiary	400,000	400,000

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 ("Growing China"), a company incorporated in the British Virgin Islands, at a consideration of HK$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu in the Sichuan Province, the PRC. Part of the consideration of HK$340,000,000 is expected to be satisfied by the issue and allotment of approximately 301,000,000 new ordinary shares of the Company and the remaining balance of HK$60,000,000 in cash. The agreement has yet to become unconditional and parties to the agreement agreed on 19 December 2000 to extend the long stop date of the agreement to such date as the parties may agree in writing. In the opinion of the Directors, unless the parties mutually agree to complete the acquisition, no payment under the agreement will be made within the next 12 months from the date of this report.

16. RELATED PARTY TRANSACTION

During the six months ended 30 September 2003, interest expense payable to a related company in respect of an unsecured loan amounted to HK$176,000.

17. POST BALANCE SHEET EVENTS

(a) On 28 November 2003, an ordinary resolution was passed at an extraordinary general meeting to approve an open offer to the Company's qualifying shareholders of 1,325,952,000 shares on the basis of four offer shares for every existing share at a subscription price of HK$0.10 per share held at of that date. The net proceeds of the open offer, after deducting expenses, are expected to be approximately HK$131.7 million and are intended to be used as funding for any potential future investments (including PRC property investments) and general working capital of the Group.

(b) On 1 December 2003, Sino Dynasty Investments Limited, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement to acquire a 25% equity interest in 南京國際商城建設有限公司 (Nanjing City Plaza Construction Co., Ltd.) ("Nanjing City Plaza") for a consideration of HK$91,000,000 to be satisfied as to HK$90,000,000 in cash and as to HK$1,000,000 by the issuance of 5,000,000 ordinary shares to be issued by the Company. Nanjing City Plaza is a sino-foreign joint venture company incorporated in the PRC. The principal asset of Nanjing City Plaza is a 51% equity interest in 南京國際集團股份有限公司 (Nanjing International Group Co., Ltd.), a joint stock limited liability company incorporated in the PRC, which is principally engaged in property development in Nanjing, the PRC. The proposed acquisition is subject to the approval of the Shareholders at the extraordinary general meeting to be held in January 2004.

(c) On 11 December 2003, Dragon Express Investments Limited, a wholly owned subsidiary of the Company, entered into a subscription agreement to subscribe for 12 units of the Gobi Fund, Inc. ("Gobi Fund") at a consideration of US$6,000,000 (equivalent to approximately HK$46,800,000). Gobi Fund is a venture capital fund sponsored and managed by Gobi Partners, Inc., and mainly focuses on early stage investments in the PRC's digital media sector, such as telecommunications, internet and broadcasting. Gobi Fund is also co-sponsored by Tsinghua Venture Capital Co., Ltd., the venture capital arm of Tsinghua University, the PRC.

18. COMPARATIVE FIGURES

Certain comparative figures have been adjusted due to the adoption of SSAP 12 (revised) during the period as described in note 1 (b).

19. INTERIM DIVIDEND

The directors have resolved that no interim dividend will be declared in respect of the six months ended 30 September 2003 (2002: Nil).

20. CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 11 April 2003, the name of the Company was changed from "Can Do Holdings Limited (長發建業有限公司)" to "Goldbond Group Holdings Limited (金榜集團控股有限公司)" with effect from 9 May 2003.

21. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 17 December 2003.

The following is the text of a letter, summary of value and valuation certificate from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation of the property interests of the Company in PRC as at 30 November 2003 proposed for the purpose of incorporation in this circular.

Sallmanns

Corporate valuation and consultancy
www.sallmanns.com

15/F Lucky Center
165-171 Wanchai Road
Hong Kong
Tel : (852) 2169 6000
Fax : (852) 2528 5079

24 December 2003

The Board of Directors
Goldbond Group Holdings Limited
Unit 3902A, on 39th Floor, Tower 1
Lippo Centre
No.89 Queensway
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interest in which Nanjing City Plaza Construction Co., Ltd. (hereinafter referred to as the "Company") has interest in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purposes of providing you with our opinion of the value of the property interest as at 30 November 2003 (the "date of valuation").

Our valuations of the property interest represent the open market value which we would define as intended to mean "an opinion of the best price at which the sale of an interest in properties would have been completed unconditionally for cash consideration on the date of valuation, assuming:-

(a) a willing seller;

(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the properties and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Our valuations have been made on the assumption that the seller sells the property interest on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all the requirements contained in the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors in March 2000.

We have valued the land by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

In valuing the building which is currently under construction, we have valued on the basis of its prevailing cost level and status of construction as at the date of valuation.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, letting, and all other relevant matters.

We have been, in some instances, provided by the Company with extracts of the title documents relating to the property interest in the PRC. However, we have not searched the original documents to verify the existing titles to the property interest in the PRC or any material encumbrances that might be attached to the property or any lease amendments, which may not appear on the copies handed to us.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property interest but have assumed that the site area shown on the documents and official site plans handed to us is correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have been shown copies of title documents relating to the property interest that is held by Company in the PRC. However, we have not searched the original documents to verify the ownership or to verify any amendments which may not appear on the copies handed to us. We have relied upon the opinion given by the PRC legal advisers, Commerce & Finance Law Offices, concerning the validity of the title of the property interest.

We have inspected the exterior and, where possible, the interior of the property interest. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interest is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 20 years' experience in the valuation of properties in the PRC and 23 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUE

PROPERTY INTEREST HELD BY THE COMPANY IN THE PRC

No.	Property	Open Market Value in existing state as at 30 November 2003	Interest attributable to the Company	Open Market Value attributable to the Company as at 30 November 2003
		RMB		*RMB*
1	A parcel of land and a building under construction located at No. 201 Zhong Yang Road Zhongyang Men Gulou District Nanjing City Jiangsu Province The PRC	656,976,000	51%	335,058,000
			Total:	**335,058,000**

VALUATION CERTIFICATE

PROPERTY INTEREST HELD BY THE COMPANY IN THE PRC

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30 November2003 *RMB*
1. A parcel of land and a building under construction located at No. 201 Zhong Yang Road Zhongyang Men Gulou District Nanjing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 27,392.3 sq.m. and a building is under construction. The whole development is scheduled to be completed in about 2006	The property is currently under construction.	656,976,000 (51% attributable to the Company: RMB335,058,000)

Notes:

1. Pursuant to a State-owned Land Use Certificate, Ning Gu Guo Yong (1999) Zi Di No.12127 (宁鼓國用(1999)字第12127號) , the land use right of the property were granted to Nanjing International for a term of 50 years expiring on 18th Octorber, 2043 for commercial uses.

2. Pursuant to the Planning Permit for Construction Works, Ning Jian Ji Xu(2002) Di No.013 dated 28th January 2002 and issued by Nanjing Construction Administrative Committee, the permitted gross floor area of the site is 210,000 sq.m..

3. As confirmed by the Company, the total estimated construction cost upon completed is estimated to be approximately RMB1,473,500,000. For reference purpose, the replacement cost of the building which is under construction as at the date of valuation is RMB292,146,000.

4. According to an opinion given by the PRC legal adviser to the Company:-

   a. Nanjing International has duly obtained the land use rights of the property.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the circular have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors

As at the Latest Practicable Date, the interests or short positions of each Director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were 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 provision of the SFO); or (b) were required to pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required to pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Directors	Nature of interest	Number of Shares	Approximate Percentage
Mr. Wong	Corporate	497,232,000 *(Note 1)*	30.00%
Mr. Ko	Corporate	65,881,800 *(Note 2)*	3.97%
Ms. Loh	Corporate	404,766,843 *(Note 3)*	24.42%
Mr. Kee	Corporate	472,586,343 *(Note 4)*	28.52%

Notes:

1. These Shares are held as to 497,232,000 Shares by Allied Luck, in which Mr. Wong is deemed to be interested by virtue of his shareholding interests in Allied Luck.

2. These Shares are held by Sparkle Power, in which Mr. Ko is deemed to be interested by virtue of his shareholding interests in Sparkle Power.

3. These Shares are held as to 65,881,800 Shares by Sparkle Power and as to 338,885,043 Shares by Ace Solomon, in which Ms. Loh is deemed to be interested by virtue of her shareholding interests in Sparkle Power and Ace Solomon respectively.

4. These Shares are held as to 133,701,300 Shares by Canasia and as to 338,885,043 Shares by Ace Solomon, in which Mr. Kee is deemed to be interested by virtue of his shareholding interests in Canasia and Ace Solomon respectively.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by the Directors adopted by the Company to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following parties, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provision of the Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Number of ordinary Shares	Approximate Percentage
Allied Luck	497,232,000	30.00%
Ace Solomon	338,885,043	20.45%
Canasia	133,701,300	8.07%

As far as the Directors are aware, save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at the Latest Practicable Date.

The Company had, between 1 March 2003 and 31 August 2003, leased a property for use as its office. The Company has since moved to and, pursuant to a tenancy agreement dated 30 July 2003, leased its current premise. Both of the above properties are owned by a company that is beneficially owned by Mrs. Wong, the spouse of Mr. Wong, and a close relative of Mr. Wong.

Save as disclosed above, none of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

3. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years preceding the date of this circular and which are or may be material:

(a) a placement agreement dated 4 January 2002 entered into between Deloitte & Touche Corporate Finance Limited and the Company whereby Deloitte & Touche Corporate Finance Limited agreed to place HK$60,000,000 5% convertible bonds due 2005 convertible into 240,000,000 new Shares to independent investors in accordance with the terms and conditions as stated in the placement agreement;

(b) a conditional underwriting agreement dated 28 March 2002 entered into between the Company and Regent Medal Assets Corp. in respect of a proposed open offer to certain Shareholders at a subscription price of HK$0.25 per offer Share on the basis of one offer Share for every seven Shares held as at a date by reference to which entitlements to the offer Share will be determined;

(c) an agreement dated 5 August 2002 entered into between, inter alia, People Partner Limited, Gate Smart International Limited (collectively the “Vendors”) and Max Cyber Development Inc. in respect of the acquisition of a 30% interest in Power Insight Investments Limited by Max Cyber Development Inc. from the Vendors for a total consideration of HK$60,000,000;

(d) an agreement dated 12 August 2002 entered into between Max Cyber Development Inc., eCyberChina Holdings Limited and Prospect Technology Limited pursuant to which, inter alia, Max Cyber Development Inc. agreed to sell, eCyberChina Holdings Limited agreed to procure the purchase of and Prospect Technology Limited agreed to purchase 24,500 shares of US$1.00 each in Masterful Resources Limited, representing 49% of the issued share capital of Masterful Resources Limited for a consideration of HK$56,800,000;

(e) the underwriting agreement dated 9 November 2002 entered into between the Company and Kingsway SW Securities Limited in relation to the underwriting and certain other arrangements in respect of the proposed issue of offer shares (with bonus shares) to the qualifying shareholders at a price of HK$0.25 per offer share;

(f) the underwriting agreement dated 17 October 2003 entered into between the Company, Allied Luck and Ace Solomon in relation to the Open Offer;

(g) the S&P Agreement; and

(h) the subscription agreement dated 11 December 2003 entered into between the Company, Gobi Fund, Inc. and Gobi Partners, Inc., in respect of the subscription of 12 units of Gobi Fund, Inc., for a consideration of US$6,000,000 by the Company.

5. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

6. QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
KPMG	Certified Public Accountants
Sallmanns (Far East) Limited	Professional surveyor

None of KPMG and Sallmanns (Far East) Limited is beneficially interested in the share capital of any member of the Group or has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed or by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. CONSENT

KPMG and Sallmanns (Far East) Limited have each given and have not withdrawn their respective written consents to the issue of this circular with inclusion of their letters, reports and/or valuation certificates and/or summary of their opinions (as the case may be) and references to their names in the form and context in which they appear herein.

8. GENERAL

a) The secretary of the Company is Mr. Lam Kwok Wah, *AHKSA, AICPA*.

b) The Company's head office and principal place of business is at Unit 3902A, 39th Floor, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

c) The Hong Kong share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

d) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons at 5th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal office hours on any weekday, except public holidays, from the date of this circular up to and including 9 January 2004;

a) the memorandum and articles of association of the Company;

b) the accountants' report regarding Nanjing City Plaza issued by KPMG, the text of which is set out in appendix I to this circular;

c) the letter and valuation certificate relating to the Nanjing Project proposed by Sallmanns (Far East) Limited, the text of which is set out in appendix III;

d) the annual report of the Group for each of the three years ended 31 March 2001, 2002 and 2003 and the interim report of the Group for the six months ended 30 September 2003;

e) the written consents referred to in the section headed "Consent" in paragraph 7 of this appendix; and

f) the contracts referred to in the section headed "Material contracts" in paragraph 4 of this appendix.

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

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Goldbond Group Holdings Limited (the "**Company**") will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 9 January 2004 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution which will be proposed as Ordinary Resolution of the Company.

ORDINARY RESOLUTION

1. **THAT**:

(A) the conditional sale and purchase agreement dated 1 December 2003 as supplemented by the supplemental agreements dated 1 December 2003 and as of 3 December 2003 and made between, Sino Dynasty Investment Limited, Wah Link Real Estate Investments Limited, Y&W Holdings Limited and Mr. Wang Boyang (a copy of which has been produced to this meeting marked "A" and initialled by the Chairman of this meeting for the purpose of identification) ("**S&P Agreement**") pursuant to which Sino Dynasty Investments Limited, a wholly-owned subsidiary of the Company, would, subject to the terms and conditions set out in the S&P Agreement, acquire 25% interests in the registered capital of 南京國際商城建設有限公司(Nanjing City Plaza Construction Co., Ltd.) for an aggregate consideration of HK$91,000,000, which shall be satisfied by:

(i) HK$90,000,000 in cash; and

(ii) the issue and allotment of 5,000,000 new ordinary shares of HK$0.10 each in the capital of the Company ("**Consideration Shares**") at a price of HK$0.20 per ordinary share credited as fully paid, to Y&W Holdings Limited or its nominee(s),

be and is hereby approved, confirmed and ratified; and

(B) the directors of the Company ("**Directors**") be and are hereby authorised to take all necessary action to implement and give effect to the proposals, arrangements, terms and transactions contemplated in the S&P Agreement and to do all acts and things and to execute all documents which may in their opinion be necessary or desirable for the purpose of implementing and giving effect to the S&P Agreement which shall include, without limitation, the issue and allotment of the Consideration Shares pursuant to the S&P Agreement.