

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

CHIANG Pedro (Chairman)
LAW Kar Po (Vice Chairman)
WU Ka I, Miguel (Managing Director)
HOI Man Pak
UNG Choi Kun
LEE Sam Yuen, John
LAW Wing Yee, Wendy
LEE Siu Yuk, Eliza

Non-executive Directors:

Leonel Alberto ALVES
CHUI Sai Cheong

Independent Non-executive Directors:

LAU Wai Ming[#]
KWOK Hong Yee, Jesse[#]
WONG King Lam, Joseph[#]

[#] Members of Audit Committee)

COMPANY SECRETARY

LAW Chun Choi

SOLICITORS

On Hong Kong Law
lu, Lai & Li
Hastings & Co.
Robertsons Solicitors & Notaries

On Cayman Islands Law
W.S. Walker & Company

AUDITORS

CCIF CPA Ltd.

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Principal place of business in Hong Kong:
Room 2007, 20th Floor,
West Tower, Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

The RHB Trust Co., Ltd.
P.O. Box 1787, Second Floor, One Capital Place,
Grand Cayman, Cayman Islands,
British West Indies

SHARE REGISTRARS & TRANSFER OFFICE

Principal Registrars

The RHB Trust Co., Ltd.
P.O. Box 1787, Second Floor,
One Capital Place, Grand Cayman,
Cayman Islands,
British West Indies

Registrars In Hong Kong

Standard Registrars Ltd.
28/F., BEA Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong

BANKER

DBS Bank (Hong Kong) Limited
The Shanghai Commercial Bank Limited
Industrial and Commercial Bank
of China (Asia) Limited

INTERIM RESULTS

For the six months ended 30 September 2005

The board of Directors (the "Board") of Honesty Treasure International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005, together with comparative figures for the corresponding period in 2004.

This interim financial report has not been audited, but has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

		Six months ended	
		30 September	
	<i>Note</i>	2005	2004
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Turnover	3	48,090,106	136,550,099
Cost of sales		(34,437,322)	(111,412,844)
Gross profit		13,652,784	25,137,255
Other revenue	3	177,725	336,775
Selling and distribution costs		(3,177,207)	(2,422,115)
General and administrative expenses		(20,411,781)	(19,395,746)
(Loss)/profit from operations		(9,758,479)	3,656,169
Amortisation charges on intangible assets		–	(5,061,722)
Impairment loss on property, plant and equipment		–	(7,300,000)
Impairment loss on intangible assets		(30,160,000)	–
Gain on disposal of investment property		–	1,649,561
(Loss)/Gain on disposal of property, plant and equipment		(25,845)	4,776,595
Finance costs	4	(92,733)	(797,492)
Share of results of associates		34,363,951	–
Loss before taxation	5	(5,673,106)	(3,076,889)
Taxation	6	(44,128)	–
Loss for the period		(5,717,234)	(3,076,889)
Attributable to:			
– Equity holders of the parent		(3,495,912)	(2,773,454)
– Minority interests		(2,221,322)	(303,435)
		(5,717,234)	(3,076,889)
Loss per share	7		
– Basic		(0.17 cents)	(0.24 cents)

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2005*

	<i>Note</i>	30/9/2005 HK\$ (Unaudited)	31/3/2005 <i>HK\$</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		15,121,573	14,228,992
Interests in associates		554,572,716	520,208,765
Intangible assets		–	30,160,000
		<hr/> 569,694,289	<hr/> 564,597,757
Current assets			
Inventories		15,495,361	18,852,015
Deposit for acquisition of property, plant and equipment		34,400,000	–
Trade and other receivables	9	30,400,456	22,625,451
Short-term investments		–	51,810
Financial assets at fair value through profit or loss		78,500	–
Bank balances and cash		18,963,950	12,818,409
		<hr/> 99,338,267	<hr/> 54,347,685
LIABILITIES			
Current liabilities			
Bills payable		208,598	292,894
Due to a director		–	1,700,000
Due to minority shareholders		49,657,714	33,559,582
Trade and other payables	10	47,062,909	24,676,597
Current portion of interest-bearing borrowings	11		
– trust receipt loans, secured		3,030,770	7,743,516
– obligations under finance lease		276,606	324,535
Loan notes		1,452,500	1,400,000
Taxation payable		345,833	301,705
		<hr/> (102,034,930)	<hr/> (69,998,829)
Net current liabilities		<hr/> (2,696,663)	<hr/> (15,651,144)
Total assets less current liabilities		<hr/> 566,997,626	<hr/> 548,946,613

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)**As at 30 September 2005*

	<i>Note</i>	30/9/2005 HK\$ (Unaudited)	31/3/2005 <i>HK\$</i> (Audited)
Non-current liabilities			
Obligations under finance leases	11	123,611	241,944
Provision for long service payments		981,444	1,928,452
		1,105,055	2,170,396
NET ASSETS		565,892,571	546,776,217
CAPITAL AND RESERVES			
Issued capital	12	121,541,142	98,531,142
Reserves		443,961,752	445,681,648
Equity attributable to equity holders of the parent		565,502,894	544,212,790
Minority interests		389,677	2,563,427
TOTAL EQUITY		565,892,571	546,776,217

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2005***For the six months ended 30 September 2005**

	Issued capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Goodwill reserve HK\$	Translation reserve HK\$	Warrant reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2005 (audited)	98,531,142	660,794,926	68,600	3,158,626	(219,884)	-	(218,120,620)	544,212,790
Transfer	-	-	-	(3,158,626)	-	-	3,158,626	-
Private placing	3,000,000	17,410,000	-	-	-	-	-	20,410,000
Issue of shares at premium	20,010,000	(20,330,000)	-	-	-	-	-	(320,000)
Issue of warrants	-	-	-	-	-	4,950,000	-	4,950,000
Exchange differences arising from translation	-	-	-	-	(253,984)	-	-	(253,984)
Net loss for the period	-	-	-	-	-	-	(3,495,912)	(3,495,912)
At 30 September 2005 (unaudited)	121,541,142	657,874,926	68,600	-	(473,868)	4,950,000	(218,457,906)	565,502,894

For the six months ended 30 September 2004

	Issued capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Goodwill reserve HK\$	Investment property revaluation reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2004 (audited)	53,901,142	150,196,240	68,600	3,158,626	1,649,561	(222,616)	(109,812,822)	98,938,731
Issue of shares at premium	5,500,000	16,500,000	-	-	-	-	-	22,000,000
Release upon disposal of investment properties	-	-	-	-	(1,649,561)	-	-	(1,649,561)
Exchange differences arising from translation	-	-	-	-	-	(77)	-	(77)
Net loss for the period	-	-	-	-	-	-	(2,773,454)	(2,773,454)
At 30 September 2004 (unaudited)	59,401,142	166,696,240	68,600	3,158,626	-	(222,693)	(112,586,276)	116,515,639

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2005*

	Six months ended	
	30 September	
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	22,635,711	21,093,089
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(36,237,958)	28,346,690
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	20,208,564	(32,701,847)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,606,317	16,737,932
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,818,409	2,831,557
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(460,776)	(77)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,963,950	19,569,412
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	18,963,950	19,569,412

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and is in compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed interim consolidated financial statements should be read in conjunction with the latest annual financial report of the Group for the year ended 31 March 2005.

The accounting policies and methods of computation used in the preparation of this condensed interim consolidated financial statements are consistent with those used in the annual financial report for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/ revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as the "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

These condensed interim consolidated financial statements have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this report. The HKFRS standards and interpretations that will be applicable at 31 March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this condensed interim consolidated financial report.

2. EFFECT OF ADOPTION NEW/REVISED HKFRSs AND HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group has adopted the following HKASs issued up to 30 September 2005 which are pertinent to its operations and relevant to these condensed interim consolidated financial statements.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 28	Investments in associates
HKAS 32	Financial instruments: Disclosure and presentation
HKAS 33	Earnings per share
HKAS 34	Interim financial reporting
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: Recognition and measurement
HKAS 40	Investment property

2. EFFECT OF ADOPTION NEW/REVISED HKFRSs AND HKASs (Continued)

The adoptions of these new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 34, 36, 37, 38, 39 and 40 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. In summary:

- HKAS 1 affects certain presentation in the consolidated balance sheet, the consolidated income statement and consolidated statement of changes in equity.
- HKASs 14, 16, 17, 23 and 28 affect certain presentations and disclosures of the consolidated financial statements.
- HKASs 2, 7, 8, 10, 12, 18, 19, 21, 24, 27, 33, 34, 36, 37, 38 and 40 do not have any impact as the Group's accounting policies have already complied with the standards.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the short-term investments which is classified as the financial assets at fair value through profit or loss.

HKAS 39 does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to short-term investments for the comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, if any, are determined and recognized at 1 April 2005.

3. TURNOVER AND SEGMENT INFORMATION

i) TURNOVER AND REVENUE

Turnover represented sale value of goods supplied to customers (after deduction of any goods returns and trade discounts), retailing business, provision for healthcare and medical-related services, interest income, gross rental income from investment properties and dividend income for the period.

	Six months ended	
	30 September	
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Turnover		
Trading and retailing	46,431,746	131,425,054
Healthcare and medical-related businesses	1,658,360	5,125,045
	48,090,106	136,550,099
Other revenue		
Interest income	51,725	13,691
Gross rental income from investment properties	126,000	226,797
Dividend income	–	96,287
	177,725	336,775
Total revenue	48,267,831	136,886,874

3. TURNOVER AND SEGMENT INFORMATION (Continued)ii) *SEGMENT INFORMATION*

An analysis of the Group's unaudited segment revenue and results of business segments, which is its primary reporting format basis, is as follows:

Business segments

	For the six months ended 30 September 2005 (unaudited)					Total HK\$
	Trading and retailing HK\$	Healthcare and medical related business HK\$	Corporate HK\$	Elimination HK\$		
Segment revenue						
External customers	46,431,746	1,658,360	-	-		48,090,106
Inter-segments	-	-	-	-		-
	<u>46,431,746</u>	<u>1,658,360</u>	<u>-</u>	<u>-</u>		<u>48,090,106</u>
Segment results	<u>(3,346,410)</u>	<u>(4,281,960)</u>	<u>(2,130,109)</u>	<u>-</u>		<u>(9,758,479)</u>
Impairment loss on intangible assets						(30,160,000)
Loss on disposal of property, plant and equipment						(25,845)
Finance costs						(92,733)
Share of results of associates						34,363,951
Taxation						(44,128)
Loss for the period						<u>(5,717,234)</u>

	For the six months ended 30 September 2004 (unaudited)					Total HK\$
	Leatherware trading and manufacturing HK\$	Healthcare and medical related business HK\$	Corporate HK\$	Elimination HK\$		
Segment revenue						
External customers	131,425,054	5,125,045	-	-		136,550,099
Inter-segments	895,781	563,604	-	(1,459,385)		-
	<u>132,320,835</u>	<u>5,688,649</u>	<u>-</u>	<u>(1,459,385)</u>		<u>136,550,099</u>
Segment results	<u>5,489,499</u>	<u>(692,958)</u>	<u>83,965,689</u>	<u>(85,106,061)</u>		<u>3,656,169</u>
Amortisation charge on intangible assets						(5,061,722)
Impairment loss on property, plant and equipment						(7,300,000)
Gain on disposal of investment property						1,649,561
Gain on disposal of property, plant and equipment						4,776,595
Finance costs						(797,492)
Loss for the period						<u>(3,076,889)</u>

4. FINANCE COSTS

	Six months ended	
	30 September	
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	83,369	684,982
Interest on other loans	–	100,583
Finance charges on obligations under finance leases	9,364	11,927
	92,733	797,492

5. LOSS BEFORE TAXATION

Loss before taxation is stated after (crediting)/charging:

	Six months ended	
	30 September	
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Crediting		
Gain on disposal of investment property	–	(1,649,561)
Gain on disposal of property, plant and equipment	–	(4,776,595)
Interest income	(51,725)	(13,691)
Net realized gain on financial assets at fair value through profit or loss	(26,690)	–
Charging		
Amortisation of intangible assets	–	5,061,722
Cost of inventories	34,437,322	111,412,844
Depreciation of property, plant and equipment	1,178,100	1,757,701
Impairment loss on property, plant and equipment	–	7,300,000
Impairment loss on intangible assets	30,160,000	–
Loss on disposal of property, plant and equipment	25,845	–
Net realised loss on short-term investments	–	1,144,668

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 September	
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
The amount of taxation charged to the condensed consolidated income statement represents:		
Hong Kong profits tax		
Current period	44,128	–

No provision for deferred taxation has been made in the financial statements for the current period (2004: HK\$Nil) as the Group has net potential deferred tax asset at the balance sheet date. The deferred tax assets have not been recognized as it is not probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized in the foreseeable future.

7. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the consolidated net loss attributable to equity holders of the parent of HK\$3,495,912 (2004: HK\$2,773,454) and on the weighted average number of 2,024,397,240 (2004: 1,163,378,031) ordinary shares in issue during the period.

Diluted loss per share is not presented as the exercise of the outstanding warrants of the Company would be anti-dilutive in respect of the interim period presented (2004: Nil).

8. DIVIDENDS

The Board of Directors does not recommend the payments of any interim dividend for the six months ended 30 September 2005 (2004: Nil).

9. TRADE AND OTHER RECEIVABLES

The Group normally allows credit terms ranging from 30 to 60 days to its trade customers.

An analysis of the trade receivables, net of provision, as at the balance sheet date, based on the invoice date of the sale is as follows:

	30/9/2005	31/3/2005
	HK\$	HK\$
	(Unaudited)	(Audited)
Trade receivables		
Due:		
Within 30 days	13,401,586	5,795,659
31 – 60 days	1,932,692	5,159,067
61 – 90 days	209,797	1,283,335
Over 90 days	1,732,051	656,200
	17,276,126	12,894,261
Other receivables	13,124,330	9,731,190
	30,400,456	22,625,451

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30/9/2005 HK\$ (Unaudited)	31/3/2005 HK\$ (Audited)
Trade payables		
Due:		
Within 30 days	23,446,910	1,100,719
31 – 60 days	886,916	1,049,433
61 – 90 days	249,855	2,545,663
Over 90 days	1,968,578	241,979
	26,552,259	4,937,794
Other payables	20,510,650	19,738,803
	47,062,909	24,676,597

11. BANK AND OTHER INTEREST-BEARING BORROWINGS

	30/9/2005 HK\$ (Unaudited)	31/3/2005 HK\$ (Audited)
Trust receipt loans, secured	3,030,770	7,743,516
Obligations under finance leases	400,217	566,479
	3,430,987	8,309,995

The maturity of the above interest-bearing borrowings are as follows:

	Trust receipt loans, secured		Obligations under finance leases	
	30/9/2005 HK\$ (Unaudited)	31/3/2005 HK\$ (Audited)	30/9/2005 HK\$ (Unaudited)	31/3/2005 HK\$ (Audited)
Within one year	3,030,770	7,743,516	276,606	324,535
In the second year	–	–	123,611	241,944
	3,030,770	7,743,516	400,217	566,479

12. ISSUED CAPITAL

	At 30 September 2005		At 31 March 2005	
	<i>Number of shares</i>	<i>HK\$ (Unaudited)</i>	<i>Number of shares</i>	<i>HK\$ (Audited)</i>
Authorised:				
Ordinary shares of HK\$0.05 each	<u>5,000,000,000</u>	<u>250,000,000</u>	<u>5,000,000,000</u>	<u>250,000,000</u>
			Number of ordinary shares of HK\$0.05 each	Nominal value HK\$
Issued and fully paid:				
At 1 April 2005 (audited)			1,970,622,840	98,531,142
Placing (a)			60,000,000	3,000,000
Issue of new shares at premium (b)			<u>400,200,000</u>	<u>20,010,000</u>
At 30 September 2005 (unaudited)			<u>2,430,822,840</u>	<u>121,541,142</u>

- (a) Pursuant to the written resolution dated 4 July 2005, the Company entered into a placing agreement with the placing agent, 60,000,000 new shares of HK\$0.05 each at the price of HK\$0.35 per placing share and 225,000,000 warrants at the price of HK\$0.022 per warrant were successfully placed.
- (b) Reference was made to the circular of the Company dated 25 August 2005. It was noted that the Company had entered into the supplemental agreement dated 14 July 2005 made between the Company, the purchaser (a wholly-owned subsidiary of the company) and the vendors with regard to the settlement of the shortfall of HK\$140,070,000 by the issue of 400,200,000 shares at an agreed price of HK\$0.35 per share.

Pursuant to the ordinary resolution of the extraordinary general meeting dated 12 September 2005, the Company issued of 400,200,000 new shares according to the supplemental agreement. The new shares were issued to rank pari passu in all respects with the then existing shares.

13. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities (31 March 2005: Nil).

14. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the period the Group had the following transactions with related parties:

- (i) Mr. Lee Sam Yuen, John, a director, provided a personal guarantee of HK\$100,000,000 (31 March 2005: HK\$100,000,000) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made.
- (ii) D.H. International Limited ("DHIL") is owned by a foundation under which Mrs. Lee Shia Yu Cho and Mr. Lee Sam Yuen, John are beneficiaries. The Group has leased certain properties from DHIL at an aggregate monthly rental of HK\$107,000. Total rental paid during the period from 1 April 2005 to 30 September 2005 amounting to HK\$642,000.

In addition to above, DHIL has provided all monies mortgage over six properties held and an assignment of insurance policy over those properties to bank to secure general banking facilities granted to a subsidiary.

- (iii) On 1 October 2004, Well Team Development Limited, which is wholly owned by Mr. Wong Yuk Kwan, an ex-director of the Company, and has common directors of Mr. Wong Yuk Kwan and Ms. Lee Siu Yuk, Eliza, the executive director, had entered into a tenancy agreement with a subsidiary. The total rental expenses paid for the period from 1 April 2005 to 30 September 2005 amounting to HK\$442,667.
- (iv) On 30 May 2005, a subsidiary of the Company as tenant, entered into a tenancy agreement with Precision Advance Limited which is owned as to approximately 33.3% by Mr. Law Kar Po, a director and substantial shareholder of the Company, and as to approximately 66.7% by Mr. Law's relatives. The monthly rental and other related expenses is about HK\$180,000 and HK\$7,187 respectively. The total rental expenses and related expenses paid for during the period from 1 April 2005 to 30 September 2005 amounting to HK\$514,402.

15. OPERATING LEASE COMMITMENTSa) *Operating lease payable*

At 30 September 2005, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating lease in respect of properties which fall due as follows:

	30/9/2005	31/3/2005
	HK\$	HK\$
	(Unaudited)	(Audited)
Within one year	11,515,245	5,467,980
In the second to fifth year	11,418,641	5,343,965
	<u>22,933,886</u>	<u>10,811,945</u>

15. OPERATING LEASE COMMITMENTS *(Continued)**b) Operating lease receivable*

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

	30/9/2005 <i>HK\$</i> (Unaudited)	31/3/2005 <i>HK\$</i> (Audited)
Within one year	996,404	878,680
After one year but within five years	1,045,731	1,019,894
	<u>2,042,135</u>	<u>1,898,574</u>

16. CAPITAL COMMITMENTS

	30/9/2005 <i>HK\$</i> (Unaudited)	31/3/2005 <i>HK\$</i> (Audited)
Commitments for the acquisition of property, plant and equipment		
– contracted but not provided for	37,602,824	2,602,824
– authorised but not contracted for	49,070,189	49,070,189
	<u>86,673,013</u>	<u>51,673,013</u>

17. POST BALANCE SHEET EVENTS

- (1) Pursuant to the special resolution passed at the extraordinary general meeting dated 29 September 2005 and an approval by the Registrar of Companies in Cayman Islands, the name of the Company has been changed from "Pearl Oriental Enterprises Limited 東方明珠實業有限公司" to "Honesty Treasure International Holdings Limited 信寶國際控股有限公司" with effect from 7 October 2005.
- (2) On 10 August 2005, Son Pou Real Estate Company Limited, a subsidiary of the Company, entered into an unconditional agreement with the Vendor for the acquisition of the property at a total consideration of HK\$69,400,000. The transaction was completed on 14 November 2005 and the remaining balance of HK\$35,000,000 was settled by a mortgage loan.

18. COMPARATIVE FIGURES

With a review of financial statements presentation, certain terms in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Company Name

The name of the Company was changed from “Pearl Oriental Enterprises Limited 東方明珠實業有限公司” to “Honesty Treasure International Holdings Limited 信寶國際控股有限公司” with effect from 7 October 2005. The change of company name would allow the Company to carry on its business under a separate identity and benefit its future business development.

Business Review & Prospects

For the six months period from 1 April 2005 to 30 September 2005, the Group reported an unaudited total turnover of HK\$48,090,106, representing a decrease of 65% as compared to that of HK\$136,550,099 for the corresponding period in 2004. The decrease was mainly due to the partial change of sales channels of the Group’s leather business through consignment sales to earn commission income in order to reduce the operation cost.

For the six months period from 1 April 2005 to 30 September 2005, the unaudited loss for the period was HK\$5,717,234 as compared to that of the previous corresponding period of HK\$3,076,889. During the period under review, the directors took a prudence approach on the preparation of financial statements and provision for impairment loss for intangible assets of HK\$30,160,000 was made. Had the impairment loss not been made for the period under review, the Group would have recorded a net profit after tax of HK\$24,442,766. During the period under review, the Group’s share of results of associates amounted to HK\$34,363,951 (2004: Nil) as a result of the acquisition of Golden Dragon Hotel in early 2005.

Hotel and entertainment business

With the continuing growth of Macau’s economy and the prosperity of the tourism and entertainment sectors, Golden Dragon Hotel achieved an average rent-out rate of over 90% during the third quarter of 2005. During the period under review, the turnover of Golden Dragon Hotel exceeded approximately HK\$84,000,000. The turnover of Sunny Tourist & Entertainment Company Limited (“Sunny Tourist”) reached approximately HK\$189,000,000 (being the sharing of gross profits from the gambling business operator). During the period under review, the Group’s share of results of associates amounted to HK\$34,363,951. The Board believes that the Golden Dragon Hotel (including Sunny Tourist) will continue to contribute promising investment return to the Group.

Property investment

In August 2005, the Group, through a subsidiary (in which the Group owned 51% and the remaining 49% is owned by independent third parties) acquired a single seven storey block building, located at nos. 1-13 da Rua do Tap Siac, Macau, for investment purpose. The Board is considering the future development strategy of the property with reference to the property market condition and prospects in Macau. During the period under review, no income, profit or loss was recorded from the property. Decoration work has not yet been commenced.

With the continuing growth of Macau’s economy as well as in the property market, the Group will continue to identify quality potential development projects which will increase in the investment return for the Group.

Leather trading and retail business

During the period under review, the Group's turnover in leather trading and retail business was HK\$46,431,746 (2004: HK\$131,425,054). The decrease was mainly due to partial change of sales channels of the Group's leather business through consignment sales to earn commission income in order to reduce the operation cost.

One of the Group's subsidiaries operates retail business in ladies handbags and leather products under the brand "Mocca". During the period under review, the Group opened two retail shops in Hong Kong. By the end of this year, the Group has a total of 7 retail shops in Hong Kong and Macau (3 in Hong Kong, 4 in Macau). With the continuing growth and success of the PRC's "Individual Visit Scheme", the Board and the management believe that the retail business will continue to grow steadily in the future.

Health care business

During the period under review, the health care business recorded a turnover of only HK\$1,658,360 (2004: HK\$5,125,045), mainly because the product Kenitic Electromagnetic Therapy Instrument failed to tap into the high-end customer market through direct sales channels. The Board has been closely monitoring the development of its health care business and evaluating the effects to the results of the Group.

The Group wishes that by capitalizing on the executive directors' vast social connections and ample trading experience, the Group will be able to further expand its businesses, to identify quality new projects with potential development opportunities and to bring in enormous investment returns for the Group.

HUMAN RESOURCES

As at 30 September 2005, the Group employed about 65 full-time staff (31 March 2005: 46), of which 62 was employed in Hong Kong (31 March 2005: 44). The Group remunerates employees based on their performance, experience and prevailing industry practices.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's equity attributable to equity holders of the Company as at 30 September 2005 was HK\$565,502,894 (31 March 2005: 544,212,790). The net current liabilities as at 30 September 2005 was HK\$2,696,663 (31 March 2005: HK\$15,651,144) while the cash and bank balances as at 30 September 2005 was HK\$18,963,950 (31 March 2005: HK\$12,818,409).

Charge on Assets

The Group did not charge any of its assets as at 30 September 2005 and 31 March 2005.

Foreign Currencies

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi, Macao pataca (MOP) and United States dollars. Accordingly, the Group has no material foreign exchange exposure risks.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2005, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position in the ordinary shares of HK\$0.05 each ("Shares") of the Company

Name of Directors	Type of Interest	Number of Ordinary shares held	Percentage of issued share capital
CHIANG Pedro	Personal	131,574,520	5.41%
LAW Kar Po	Personal	246,624,000	10.15%
WU Ka I Miguel	Personal	27,265,140	1.12%
UNG Choi Kun	Personal	2,200,000	0.09%
HOI Man Pak	Personal	79,402,600	3.27%

(b) Long position in the warrants of the Company

As at 30 September 2005, Mr. Ung Choi Kun directly held 5,000,000 warrants (2.22% of the total issued warrants) issued by the Company carrying the rights to subscribe for 5,000,000 new Shares at a subscription price of HK\$0.35 per Share (subject to adjustment) until 20 July 2007.

Save as disclosed above, as at 30 September 2005, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred or therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, according to the register of interest kept by the Company under section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, 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 or any other member of the Group or had any option in the respect of such capital:

	Number of Shares held <i>(Note 1)</i>	Approximate percentage of issued share capital of the Company
LAW Kar Po	246,624,000 (L)	10.15%
CHIANG Pedro	131,574,520 (L)	5.41%

Note:

- (L) denotes a long position.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the period under review, except for the following deviation:

Code Provision A.4.1

Code A.4.1 stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term and subject to re-election. The term of office for non-executive directors and independent non-executive directors are not specific but are subject to retirement by rotation at least once every three years at the annual general meeting but are eligible for re-appointment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (“the “Model Code”). Having made specific enquiry from all directors, it is confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the six months ended 30 September 2005.

REVIEW BY AUDIT COMMITTEE

The audit committee consists of three members, including the independent non-executive Directors of the Company Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse and Mr. Wong King Lam, Joseph. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2005.

By order of the Board

CHIANG Pedro

Chairman

Hong Kong, 21 December 2005