



Massive Resources

International Corporation Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 00070



Interim Report **2005/06**

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr Chen Chak Man (*Chairman*)
Mr Lau Kwok Hung
Mr Lin Cheuk Fung
Mr Lau Kwok Keung
Mr Chan Shiu Kwong, Stephen

Independent Non-executive Directors

Mr Chow Pui Fung
Mr Yue Fu Wing
Mr Wong Yuk Man

COMPANY SECRETARY

Mr Lau Kwok Hung

AUDIT COMMITTEE

Mr Chow Pui Fung
Mr Yue Fu Wing
Mr Wong Yuk Man

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Liu Chong Hing Bank Limited

LEGAL ADVISOR

Peter K.S. Chan & Co
Solicitors & Notaries

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STOCK CODE

00070

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the "Directors") of Massive Resources International Corporation Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 31 December 2005.

GENERAL

The principal activity of the Company continues to be investment holding. The principal activities of the Company's subsidiaries include: the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the cruise business, the trading of listed securities and investments in the People's Republic of China.

BUSINESS AND INVESTMENT REVIEW

For the six months ended 31 December 2005 the Group recorded a net profit attributable to equity holders of the Company of about HK\$0.5 million (2004: loss of HK\$7.4 million).

Manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services

The manufacture and trading of electrical equipment and the provision of electrical engineering and contracting services continued to be profitable. Turnover increased when compared with the corresponding period last year as a result of improved trading conditions, and profits had resumed to HK\$1.8 million when compared with the corresponding period in 2004 (HK\$1 million).

The economic conditions of Hong Kong are still improving and the Group expects to secure more electrical engineering contracts in future.

Cruise business

During the period under review, cruise business has contributed a principal income to the Group. Turnover for the leasing of the cruise ship was recorded approximately HK\$9 million, which accounted for approximately 16.6% of the Group's total turnover. Segment result amounted to approximately HK\$5.4 million. The cruise business has been operating since October 2005. It recorded a steady turnover and profit contribution to the Group.

Trading of investments in listed securities

The Group did not engage in the trading of investments in listed securities during the period under review.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2005 (2004: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK\$9.4 million as at 31 December 2005 (at 30 June 2005: HK\$100.6 million). Total bank and other borrowings amounted to HK\$2.1 million as at 31 December 2005 (at 30 June 2005: HK\$2.4 million). The net asset value of the Group as at period end was HK\$232.8 million (at 30 June 2005 - restated: HK\$230.8 million). The gearing ratio, calculated on the basis of total liabilities over equity attributable to equity holders of the Company as at 31 December 2005, was approximately 53% (at 30 June 2005: 25%).

EMPLOYEES

The Group has approximately 82 employees in Hong Kong. Total staff costs for the interim period under review amounted to approximately HK\$7.6 million. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2005, the leasehold land and buildings of a Group's subsidiary with carrying value of HK\$5.5 million (at 30 June 2005: HK\$5.6 million) were pledged to a bank for banking facilities. A subsidiary's bank deposits of HK\$3 million (at 30 June 2005: HK\$3 million) had been pledged to secure general banking facilities granted to the subsidiary.

PROSPECTS

Looking ahead, the economy of Hong Kong will continue to exhibit a positive recovery, and hence, the present condition of the local property market will be enhanced. It is believed that the Group's business in the manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services will continue to grow.

To sustain the development of the Group, the Board will continue to strive for seeking different investment opportunities to further enhance the competitiveness of the Group, particularly in the strengthening of the Group's foothold in the gaming and entertainment business, and will also endeavour to improve the operating efficiency of the Group.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

DIRECTORS' INTERESTS IN SECURITIES

(i) Shares

As at 31 December 2005, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
Mr Lin Cheuk Fung	Personal	1,500,000,000	12.10%
Mr Chen Chak Man	Corporate	447,300,000	3.61%

(Note)

Note: These shares are held by 369 Holdings Limited which is wholly and beneficially owned by Mr Chen Chak Man.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by directors in trust for the Company, none of the Company's directors or their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

(ii) Options

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions.

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 31 December 2005.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(continued)*

SUBSTANTIAL SHAREHOLDERS

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2005 amounting to 5% or more of the ordinary shares in issue:

Name of shareholder	Number of ordinary shares held	Approximate shareholding percentage
Mr Chim Pui Chung <i>(Note)</i>	1,835,960,000	14.81%
Mr Lin Cheuk Fung	1,500,000,000	12.10%

Note: These shares were held as to 1,264,220,000 shares by Gallery Ltd (a company wholly owned by Mr Chim Pui Chung), as to 568,800,000 shares by Golden Mount Ltd (a company wholly owned by Mr Chim Pui Chung) and as to 2,940,000 shares held by Mr Chim Pui Chung.

Save as disclosed above, the Company has not been notified of any other parties having an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of the SFO as at 31 December 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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

During the six months ended 31 December 2005, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 31 December 2005, the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (The "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the following deviations:-

Code Provision A.2.1

Separation between the roles of "Chairman" and "Chief Executive Officer"

The roles of Chairman and Chief Executive Officer of the Company are not separated. The Board believes that it is more effective for the titles "Chairman" and "Chief Executive Officer" be vested in one person based on the Company's on-going business practice and experience. It is also in line with the conclusion reached by certain independent academic researchers that separation between the roles "Chairman" and "Chief Executive Officer" as a philosophical rule does not improve corporate performance.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(continued)*

CORPORATE GOVERNANCE *(continued)*

Code Provision A.4.1

Non-executive Directors should be appointed for specific terms and subject to re-elections

All Independent Non-executive Directors of the Company are not appointed for specific terms but they are subject to retirement by rotations and re-elections at the annual general meeting of the Company at least once every three years.

Code Provision B.1.1

Establishment of a remuneration committee

The Board is in the opinion that establishment of a remuneration committee as required by code provision B.1.1 is not, for the time being, justified after careful consideration of the size of the Group and the associated costs involved.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the directors. Following specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

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 the review of the Group's unaudited interim report for the six months ended 31 December 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005

		Six months ended	
		31 December	
		2005	2004
	<i>Note</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(Restated)
Turnover	3	54,228	40,008
Cost of sales		(43,492)	(35,655)
Gross profit		10,736	4,353
Other revenue		1,416	532
Distribution costs		(369)	(524)
Administrative expenses		(9,993)	(6,323)
Fair value changes on financial assets at fair value through profit or loss		606	(4,954)
Profit/(loss) from operations	3, 6	2,396	(6,916)
Finance costs		(783)	(68)
Profit/(loss) from ordinary activities before taxation		1,613	(6,984)
Taxation	4	(348)	(221)
Profit/(loss) for the period		1,265	(7,205)
Attributable to:			
Equity holders of the Company		460	(7,406)
Minority interests		805	201
		1,265	(7,205)
Earnings/(loss) per ordinary share			
- Basic	7	0.004 cent	(0.1) cent
- Diluted	7	N/A	N/A

The notes on pages 12 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2005

		31 December 2005 (Unaudited) HK\$'000	30 June 2005 (Audited) HK\$'000 (Restated)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	15	193,486	100,414
Leasehold land and land use right	8	3,310	3,353
Investment properties		27,700	27,700
Goodwill		45	45
Development costs		165	330
		224,706	131,842
Current assets			
Inventories		14,047	14,397
Trade and other receivables	11	30,778	24,377
Amount due from a related company		830	830
Financial assets at fair value through profit or loss		1,862	–
Investment in securities		–	1,257
Pledged bank deposits	14	3,000	3,000
Cash at securities company		52,688	94,138
Cash and bank balances		24,297	16,213
		127,502	154,212
Current liabilities			
Bank and other borrowings		813	771
Trade and other payables	12	20,174	20,983
Convertible notes	10	40,094	–
Amount due to a minority shareholder		53,980	29,100
Taxation		3,085	2,737
		118,146	53,591
Net current assets		9,356	100,621
Total assets less current liabilities		234,062	232,463
Non-current liabilities			
Bank and other borrowings		1,306	1,627
		232,756	230,836
Equity			
Share capital	13	247,953	247,953
Reserves		(24,388)	(25,503)
Equity attributable to equity holders of the Company		223,565	222,450
Minority interests		9,191	8,386
Total equity		232,756	230,836

The notes on pages 12 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005 (Unaudited)

	Equity attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes HK\$'000	Non-distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1 July 2005 (Audited)	247,953	61,454	-	2,264	(89,221)	222,450	8,386	230,836
Convertible notes - equity component	-	-	655	-	-	655	-	655
Profit for the period	-	-	-	-	460	460	805	1,265
At 31 December 2005 (Unaudited)	<u>247,953</u>	<u>61,454</u>	<u>655</u>	<u>2,264</u>	<u>(88,761)</u>	<u>223,565</u>	<u>9,191</u>	<u>232,756</u>

For the six months ended 31 December 2004 (Unaudited and restated)

	Equity attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	distributable reserve HK\$'000	Non-distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1 July 2004 (Audited)	181,627	17,198	2,264	-	(77,868)	123,221	7,983	131,204
Loss for the period	-	-	-	-	(7,406)	(7,406)	201	(7,205)
At 31 December 2004 (Unaudited)	<u>181,627</u>	<u>17,198</u>	<u>2,264</u>	<u>-</u>	<u>(85,274)</u>	<u>115,815</u>	<u>8,184</u>	<u>123,999</u>

The notes on pages 12 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

	Six months ended	
	31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	22,866	(2,500)
Net cash (outflow)/inflow from investing activities	(95,650)	66
Net cash inflow/(outflow) from financing	39,752	(711)
Decrease in cash and cash equivalents	(33,032)	(3,145)
Cash and cash equivalents at beginning of period	110,017	78,209
Cash and cash equivalents at end of period	76,985	75,064
Analysis of balances of cash and cash equivalents		
Cash and bank balances	24,297	21,053
Cash at securities company	52,688	54,011
	76,985	75,064

The notes on pages 12 to 22 form part of this interim financial report.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those adopted in financial statements for the year ended 30 June 2005, except that the Group has changed certain accounting policies following the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") (collectively the "HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with those HKFRSs and interpretations issued and effective as at the time of preparing this report. The comparative figures have been amended as required and where necessary, in accordance with the relevant requirements.

2. EFFECT OF ADOPTING NEW AND 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. In 2005, the Group has adopted the new and revised HKFRSs and HKASs which are pertinent to its operations.

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 11	Construction contract
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 32	Financial instruments: disclosures 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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2005

2. EFFECT OF ADOPTING NEW AND REVISED HKFRSs and HKASs *(continued)*

HKAS 39	Financial instruments: recognition and measurement
HKAS 40	Investment property
HKAS-Int 3	Revenue – Pre-completion contracts for the Sale of Development Properties
HKAS-Int 4	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS-Int 12	Scope of HKAS-Int 12 consolidation – special purpose entities
HKAS Int 15	Operating leases – incentives
HKAS-Int 21	Income taxes – recovery of revalued non-depreciated assets
HKFRS 2	Share-based payments
HKFRS 3	Business combinations

- (i) The adoption of these new and revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 34, 37 and HKAS-Int 3, 4, 12, 15 and 21 and HKFRS 2 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements. In summary:
- HKAS 1 has affected the presentation of minority interests and other disclosures.
 - HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 33, 34, 37 and HK-Int 3, 4, 12, 15, 21, and HKFRS 2 had no material effect on the Group's policies.
 - HKAS 24 has affected the identification of related parties and some other related-party disclosures.
- (ii) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.
- (iii) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. In particular, HKAS 39 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components. In subsequent periods, the liability component is carried at amortised cost using the effective interest method.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2005

2. EFFECT OF ADOPTING NEW AND REVISED HKFRSs and HKASs *(continued)*

- (iv) The adoption of HKAS 40 has resulted in change in accounting policy for the Group's investment properties. In prior years, increases in the valuation of investment property were credited to the investment property revaluation reserve while decreases in the valuation of investment property were firstly set off against the surplus of the investment property revaluation reserve and thereafter charged to the income statement. Following the adoption of HKAS 40, all changes in valuation of the investment property are to be recognised in the income statement.
- (v) The adoption of HKASs 36, 38 and HKFRS 3 results in a change in the accounting policy for goodwill. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses, if any, after initial recognition. Goodwill is tested annually for impairment, as well as when there is indication of impairment.
- (vi) All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than the following standards:
- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transaction;
 - HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
 - HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;
 - HKFRS 3 – prospectively after the adoption date.

Summary of the change in accounting policies

The adoption of HKAS 17 resulted in:

Consolidated balance sheet

	As at 31 December 2005 HKAS 17 HK\$'000	As at 30 June 2005 HKAS 17 HK\$'000
Increase in leasehold land and land use rights	3,310	3,353
Decrease in property, plant and equipment	(3,310)	(3,353)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2005

3. SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacturing and trading of electrical equipment, the cruise ship business, the trading of listed securities and provision of electrical engineering and contracting services. An analysis of the Group's turnover and contribution to profit from operations by principal activities and geographical locations during the period is shown as follows:

(a) Business segments

	Six months ended 31 December 2005 (Unaudited)				Consolidated HK\$'000
	Manufacture and sales of electrical equipment HK\$'000	Trading of listed securities HK\$'000	Cruise ship business HK\$'000	Provision of electrical engineering and contracting services HK\$'000	
Segment revenue:					
External Turnover	32,859	-	9,000	12,369	54,228
Segment results	3,870	-	5,365	1,501	10,736
Interest income					811
Other income					1,211
Distribution costs					(369)
General and administrative expenses					(9,993)
Profit from operating activities					2,396
Finance costs					(783)
Profit before taxation					1,613
Taxation					(348)
Profit for the period					1,265
Segment assets	53,223	6,960	199,213	11,487	270,883
Unallocated assets					81,325
Total assets					352,208
Segment liabilities	16,070	4,229	59,304	3,383	82,986
Unallocated liabilities					36,466
Total liabilities					119,452
Other segment information:					
Capital expenditure	-	-	96,796	-	96,796
Unallocated capital expenditure					554
					97,350
Depreciation and amortisation	207	-	3,001	-	3,208
Unallocated amounts					64
					3,272

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2005

3. SEGMENTAL INFORMATION (continued)**(a) Business segments** (continued)

	Six months ended 31 December 2004 (Unaudited and restated)			
	Manufacture and sales of electrical equipment HK\$'000	Trading of listed securities HK\$'000	Provision of electrical engineering and contracting services HK\$'000	Consolidated HK\$'000
Segment revenue:				
External turnover	<u>31,750</u>	<u>–</u>	<u>8,258</u>	<u>40,008</u>
Segment results	<u>3,575</u>	<u>–</u>	<u>778</u>	<u>4,353</u>
Interest income				35
Other income				497
Distribution costs				(524)
General and administrative expenses				<u>(11,277)</u>
Loss from operating activities				(6,916)
Finance costs				<u>(68)</u>
Loss before taxation				(6,984)
Taxation				<u>(221)</u>
Loss for the period				<u>(7,205)</u>
Segment assets	46,521	8,468	9,472	64,461
Unallocated assets				<u>87,363</u>
Total assets				<u>151,824</u>
Segment liabilities	11,137	3,709	4,806	19,652
Unallocated liabilities				<u>8,172</u>
Total liabilities				<u>27,824</u>
Other segment information:				
Depreciation and amortisation	442	–	–	442
Unallocated amounts				<u>220</u>
				<u>662</u>
Other non-cash expenses	–	4,113	–	<u>4,113</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2005

3. SEGMENTAL INFORMATION (continued)**(b) Geographical segments**

	Six months ended 31 December 2005 (Unaudited)		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Segment revenue:			
External turnover	54,228	–	54,228
Segment results	10,736	–	10,736
Other segment information:			
Segment assets	325,008	27,200	352,208
Capital expenditure	97,350	–	97,350
	Six months ended 31 December 2004 (Unaudited)		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Segment revenue:			
External turnover	40,008	–	40,008
Segment results	4,353	–	4,353
Other segment information:			
Segment assets	124,624	27,200	151,824
Capital expenditure	–	–	–

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

5. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the period under review (2004: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2005

6. DEPRECIATION AND AMORTISATION

During the period, the following depreciation and amortisation have been charged to the Group's condensed consolidated income statement.

	Six months ended	
	31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Amortisation of leasehold land	43	43
Depreciation of property, plant and equipment	3,064	315
Amortisation of intangible assets	165	304
	<hr/>	<hr/>

7. EARNINGS/(LOSS) PER ORDINARY SHARE

The calculation of the basic earnings per ordinary share is based on unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$460,000 (2004: loss of HK\$7,406,000) and the 12,397,630,000 (2004: 9,081,360,000) ordinary shares in issue during the period.

No diluted earnings per ordinary share has been presented for the period ended 31 December 2005 as the effect of the assumed conversion of the Company's outstanding convertible notes would be anti-dilutive. There were no dilutive potential ordinary shares in issue during the period ended 31 December 2004 and accordingly, the diluted loss per ordinary share was not shown.

8. LEASEHOLD LAND AND LAND USE RIGHT

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	31 December	
	2005	
	(Unaudited)	30 June
	HK\$'000	2005
		(Audited)
		HK\$'000
		(Restated)
In Hong Kong held on:		
Medium term leases	3,310	3,353
	<hr/>	<hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2005

9. SUBSIDIARIES NOT CONSOLIDATED

	31 December 2005 (Unaudited) HK\$'000	30 June 2005 (Audited) HK\$'000
Unlisted shares at cost, net of provision	—	—

In February 2001, Goalstar Holdings Limited ("Goalstar"), a wholly-owned subsidiary of the Company, purportedly entered into an agreement whereby Goalstar would purchase 60% of the issued shares and the shareholders' loan of M-Star Limited ("M-Star"). Having obtained legal advice, Goalstar duly rescinded the purported agreement. The Company's investments in M-Star had not be incorporated into these financial statements and full provision of HK\$16,043,000 had been made during the year ended 30 June 2002. During the period, official receiver had been appointed for the liquidation of M-Star. In the opinion of the Board of Directors, the recoverability of the investment in M-Star is remote.

10. CONVERTIBLE NOTES

	31 December 2005 (Unaudited) HK\$'000
Face value of convertible notes issued	40,000
Equity component	(656)
Liability component on initial recognition	39,344
Interest expense	750
Liability component at 31 December 2005	40,094

Pursuant to the convertible notes subscription agreements dated 12 September 2005, the Company issued convertible notes in the principal of HK\$40,000,000 (the "Convertible Notes") to two independent third parties (the "Noteholders"). The Noteholders may at any business day after the date of issue of the Convertible Notes up to and including the date prior to the anniversary of the date of issue of the Convertible Notes convert the whole or any part in an amount or integral multiple of HK\$1,000,000 of the principal amount of the Convertible Notes into shares of HK\$0.02 each in the share capital of the Company, at the conversion price of HK\$0.02 per share.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2005

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers. Included in trade and other receivables are trade debtors of HK\$20,603,000 (at 30 June 2005: HK\$20,375,000) with the following aging analysis:

	31 December 2005 (Unaudited) HK\$'000	30 June 2005 (Audited) HK\$'000
Current	8,636	8,540
Over 30 days	3,233	3,197
Over 60 days	2,944	2,911
Over 90 days	5,790	5,727
	<hr/> 20,603 <hr/>	<hr/> 20,375 <hr/>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$8,385,000 (at 30 June 2005: HK\$6,919,000) with the following aging analysis:

	31 December 2005 (Unaudited) HK\$'000	30 June 2005 (Audited) HK\$'000
Current	1,737	1,433
Over 30 days	3,807	3,141
Over 60 days	2,647	2,184
Over 90 days	194	161
	<hr/> 8,385 <hr/>	<hr/> 6,919 <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2005

13. SHARE CAPITAL

	31 December 2005 (Unaudited) HK\$'000	30 June 2005 (Audited) HK\$'000
<i>Authorised:</i>		
50,000,000,000 ordinary shares of HK\$0.02 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i>		
12,397,630,000 ordinary shares of HK\$0.02 each	<u>247,953</u>	<u>247,953</u>

14. PLEDGE OF ASSETS

As at 31 December 2005, the leasehold land and buildings of a Group's subsidiary with carrying value of HK\$5,516,000 (30 June 2005: HK\$5,589,000) were pledged to a bank for banking facilities. A subsidiary's bank deposits of HK\$3,000,000 (30 June 2005: HK\$3,000,000) had been pledged to secure general banking facilities granted to the subsidiary.

15. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2005, the Group acquired property, plant and equipment at a cost of approximately HK\$97,350,000 and disposed of property, plant and equipment with aggregate net book value of approximately HK\$1,214,000.

16. CONTINGENT LIABILITIES

	31 December 2005 (Unaudited) HK\$'000	30 June 2005 (Audited) HK\$'000
(i) Other trade guarantees	<u>-</u>	<u>68</u>

As at 31 December 2005, certain Hong Kong employees have achieved the required number of years of service to the Group and the possible future long service payment to such employees amounted to HK\$1,913,000 (30 June 2005: HK\$1,572,000).

- (ii) On 1 September 2004, a writ of summons and statement of claim was made by The Centre (49) Limited in respect of the office premises previously surrendered by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK\$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the period ended 31 December 2005, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2005

17. OPERATING LEASE COMMITMENTS

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2005 (Unaudited) HK\$'000	30 June 2005 (Audited) HK\$'000
Within one year	907	154
After one year but within 5 years	1,516	288
	2,423	442

18. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group entered into sales transactions of HK\$10,259,000 (2004: HK\$8,256,000) and paid management fees of HK\$180,000 (2004: HK\$180,000) to related companies, in which directors of subsidiaries have controlling interests.

19. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 24 March 2006.

By Order of the Board

Lau Kwok Hung

Executive Director

Hong Kong, 24 March 2006

As at the date of this report, the Board comprises Mr Chen Chak Man, Mr Lau Kwok Hung, Mr Lin Cheuk Fung, Mr Lau Kwok Keung and Mr Chan Shiu Kwong, Stephen (all executive Directors), Mr Chow Pui Fung, Mr Yue Fu Wing and Mr Wong Yuk Man (all independent non-executive Directors).