

## CHANGE OF COMPANY NAME

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. The change of company name would allow the Company to carry on its business under a separate identity and benefit its future business developments.

## CHANGE OF YEAR END DATE

Following the acquisition of a 40% interest in Hotel Golden Dragon (Macao) Company Limited (“Golden Dragon”), the Board anticipated the profit contribution by Golden Dragon to be significant as compared to the other businesses of the Group. Accordingly, the Company changed its year end date from 31 March to 31 December to be in coterminous with that of Golden Dragon.

## RESULTS

For the 9 months period from 1 April 2005 to 31 December 2005, the Group reported a turnover of HK\$74 million when compared with HK\$207 million for the year ended 31 March 2005, a drop of 53% from the 9-month correspondence period. The decrease was mainly due to partial change of sales channels of the leather business through consignment sales to earn commission income in order to reduce the operation cost. Net profit reached HK\$38 million (year ended 31 March 2005: loss of HK\$108 million). The profitability was mainly contributed from share of results of associate, Hotel Golden Dragon, and after written off the goodwill of approximately HK\$30 million in relation to the healthcare business. 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. Earnings per share for the period is 1.78 cents (year ended 31 March 2005 : Loss per share : 8.85 cents).

## Business review & prospects

The Company is primarily an investment holding company and its investment portfolio includes (i) hotel and real estate investments; (ii) property development; (iii) trading, distribution and retailing of leather products; and (iv) healthcare and medical-related business.

### Hotel and entertainment business

Golden Dragon (including Hotel Golden Dragon and Sunny Tourist) is a major investment of the Group. Its operating results for the period were promising and satisfactory. It contributed a substantial part of the income to the Group, which was the reason contributed to turning around the Group into profitable for the first time since 1998. For the period from 1 April 2005 to 31 December 2005, the turnover of Golden Dragon was HK\$325 million while the average occupancy rate reached 86%. The share of results from associates during the same period amounted to HK\$86 million.

The opening of the entertainment business in Macau has brought in international operators and market players into Macau. This has not just only put Macau into an international business platform drawing the attention of global investors, but also pushed the growth of GDP in Macau. The growth in business of Macau has also driven the demand for good quality hotel services. The Board believes that with the openings of additional international hotels, plus the expanding PRC’s “Individual Visit Scheme”, Macau will become an important business and entertainment centre in the Asian region, and Golden Dragon will definitely be benefited from these.

## Property Development

### ***Tap Siac, Macau (澳門塔石街)***

In August 2005, the Group, through a subsidiary (in which the Group owns 51% and the remaining 49% 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.

The site is located in the centre of Macau city, close to Horta E Costa and Conselheiro Ferreira de Almeida, an area which is easily assessable by transports and is surrounded by famous shopping arcades. The nearby Tap Siac Concourse with an area of 8,000 sq. m. will be completed in late 2006/early 2007 where a 6-floor shopping arcade will be constructed on the concourse. Upon its completion, the area will become another landmark in Macau for tourists and local consumers. The property prices in the Tap Siac region has been increased by 40% as compared with 2004.

### ***Cheok Ka Chun, Taipa, Macau (澳門氹仔卓家村)***

Subsequent to the balance sheet date, in February 2006, the Group announced the acquisition of a 55% interest in a Macau company which holds a development site located at Lote TN6, Cheok Ka Chun, Taipa, Macau. The site, a private land, has an area of about 4,661 sq. m. The Group intends to develop the site into a 50s floors residential property with a shopping arcade.

The site is located in the northern part of Taipa and is surrounded by the University of Macau, and Greek Mythology. The site was originally a village but the Macau Government has recently approved to redevelop the region into a commercial and residential area. The property prices in the region has since then increased by 50% - 60%. Taipa was used to be a low density populated area, as compared with the Macau city. With the improvement in the transportation infrastructure in Taipa and the growth of the economy of Macau, people will be looking for good quality housing area, and Taipa will be a site most suitable for developing properties for high demand people. The Group will evaluate carefully these factors in designing a development plan for the project in Taipa and making it another landmark in the area.

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

## ***Leather trading and retail business***

During the period from 1 April 2005 to 31 December 2005, the Group's turnover in leather trading and retail business was HK\$72 million (for the year ended 31 March 2005: HK\$200 million). The decrease of 52% as compared to the previous corresponding period of 9 months 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 operating cost.

One of the Group's subsidiaries operates a retail business in ladies handbags and leather products under the brand "Mocca". During the period from 1 April 2005 to 31 December 2005, the Group opened three retail shops in Hong Kong. As at 31 December 2005, the Group has a total of 5 retail shops in Hong Kong and Macau. The Board has been carefully monitoring the development of the business of leather trading and retail business and appropriate actions will be taken at due course to stream line the business of the Group.

## **Health care business**

During the period from 1 April 2005 to 31 December 2005, the health care business recorded a turnover of only HK\$1.5 million (year ended 31 March 2005: HK\$8 million), mainly because the product Kenitic Electromagnetic Therapy Instrument failed to tap into the high-end consumer 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 continues to receive RMB100,000 per month from a clinical centre in Haikou People's Hospital on leasing a HIFU-bases ultrasound tumour therapy system to the centre.

## **Future Plans**

The Group wishes that by capitalizing on the executive directors' vast social connections and ample trading experiences, 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 31 December 2005, the Group employed about 63 full-time staff in Hong Kong, 8 in Macau and 3 in the PRC. The Group remunerates employees based on their performance, experience and prevailing industry practices. It also offers benefits such as training programme to staff to enhance their sense of loyalty.

## **FINANCIAL REVIEW**

### **Fund-raising Activities**

During the period under review, the Group successfully placed new shares and warrants and raised approximately HK\$26 million. Out of the proceeds from these fund-raising activities, HK\$10 million have been used to expand the ladies shoes retail business, and HK\$5 million was used as general working capital of the Group.

Besides, 400.2 million new shares at a price of HK\$0.35 per shares (totally HK\$140.07 million) have been issued as the settlement of the shortfall to the consideration payable for the acquisition of Golden Dragon.

### **Liquidity and Financial Analysis**

As at Balance Sheet date, the Group's financial position with cash on hand recording at HK\$20 million. Total liabilities amounted to HK\$139 million as at 31 December 2005, with gearing ratio (as calculated by total liabilities dividing by net asset value) recorded at 23%. Backed by this healthy financial position, the Group is ready to set off and grasp the opportunities ahead.

The Directors believe that a substantial part of the short term liabilities, mainly amount due to minority shareholders and bank loans obtained for the acquisition of property for development, will be renewable automatically upon their respective due dates. The Group intends to finance the construction cost of the property under development from bank loans.

## Contingent Liabilities

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

## Pledge of Assets

Details of the pledge of assets of the Group during the review period are set out in Note 37 to the accompanying financial statements.

## Exchange Exposure

The Group's transactions were mainly denominated in Hong Kong dollars, MOP and Reminbi. Given that the exchange rate of Hong Kong dollars against the MOP and Reminbi has been and likely remains stable, the Board consider that the Group's risk on foreign exchange will remain minimal. The Group had no foreign exchange rate hedging arrangement during the period.

## 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.

## PROSPECT OF THE GROUP

We are very confident in the future prospect of Macau's property market, given that it is the Macau government's firm commitment to develop Macau into a world-class tourism and entertainment centre. In view of the continuous growth in the disposal income of Macau people and the influx of immigrants into Macau, the demand for good quality housing will be enormous. The management of the Group has exceptional outstanding property investment experience which will equip them to identify prosperous investment opportunities for the benefits of the Group. It is the long term strategy of the Group to identify suitable development projects for its land bank reserve.

As the Group has already acquired two properties development projects on hand, in the near future, the Group will be concentrating in designing development plans for these two projects and to commence construction works as soon as possible. It is permitted in Macau to pre-sale properties once a permit to commence construction work is obtained, the Group will therefore be able to have returns on its investment in an early stage and the income generated will then be reinvested in other projects. As a property developer, the Group is always ready to consider potential investment opportunities in the PRC and the South East Asia region.

Due to the difficulties in the leather trading business being faced by the industry in recent years, the Group will have to further streamline its business in this segment. At the same time, the Group is considering to enter into property sale market which will bring in speedy income to the Group. Contributions from the property development market though is substantial, it normally takes years to complete a project. Property sale market provides a steady income to the Group.