



信寶國際控股有限公司

Honesty Treasure International Holdings Ltd

Stock Code: 600

# HONESTY TREASURE

INTERIM REPORT 2006

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

*Executive Directors:*

CHIANG Pedro (Chairman)  
LAW Kar Po (Vice Chairman)  
WU Ka I, Miguel (Chief Executive Officer)  
HOI Man Pak  
UNG Choi Kun  
LAW Wing Yee, Wendy  
LEE Siu Yuk, Eliza

*Non-executive Director:*

Leonel Alberto ALVES

*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*  
Richards Butler  
Chiu & Partners  
Robertsons Solicitors & Notaries

*On Cayman Islands Law*  
W.S. Walker & Company

### AUDITORS

CCIF CPA Limited

### HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

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.  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### BANKERS

The Shanghai Commercial Bank Limited  
Wing Hang Bank, Limited  
DBS Bank (Hong Kong) Limited

The board of directors (the "Board") of Honesty Treasure International Holdings Limited (the "Company") is pleased to present the Interim Report and condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006. The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the six months ended 30 June 2006, and the consolidated balance sheet of the Group as at 30 June 2006, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 10 to 30 of this Report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

The Board has the pleasure to announce that the Group recorded a profit for the period from 1 January 2006 to 30 June 2006 of approximately HK\$24.2 million, as compared with a loss of approximately HK\$5.7 million for the last interim period from 1 April 2005 to 30 September 2005.

The Group's turnover for the current period under review dropped 21.7% as compared with the comparative period. Further explanation is given below.

During the financial year ended 31 December 2005, the Company changed its year end date from 31 March to 31 December. Accordingly, the comparative period is from 1 April 2005 to 30 September 2005, being the period reported in the last interim report of the Company.

#### *Hotel and entertainment business*

The Group's share of the results from its associate, Hotel Golden Dragon (Macao) Company Limited ("Hotel Golden Dragon"), increased from approximately HK\$34.3 million (last interim period ended 30 September 2005) to approximately HK\$45 million (interim period ended 30 June 2006), an increase of 31%. Turnover (hotel operations) of the Hotel Golden Dragon for the period under review was approximately HK\$104 million, as compared with approximately HK\$84 million for the last interim period to 30 September 2005, an increase of 24%. The turnover of Sunny Tourist & Entertainment Limited, which is engaged in the promotion of gaming and entertainment business of the Hotel Golden Dragon, for the period under review was approximately HK\$197.8 million, as compared with approximately HK\$167.8 million for the last interim period to 30 September 2005, an increase of 18%.

#### *Properties development and investment*

The Group has always been identifying quality potential development projects which will increase the investment return for the Group. In May 2006, the Group, through Super Times Far East Limited, a wholly-owned subsidiary of the Company, acquired 66 residential units and 60 car parking spaces at various floors of Edificio Chu Kuan Mansion, Macau. Edificio Chu Kuan Mansion comprises three blocks of buildings, with a total of 267 office units, 156 residential units, 31 shops and 441 car parking spaces. One of the blocks is built with 22 storeys for commercial use. The other two blocks are for residential use with 16-storeys each. The current intention of the Group is to retain the properties for trading purpose so as to broaden the revenue stream of the Group.

In April 2006, the Group completed the acquisition of a 55% interest in Companhia De Investimento E Desenvolvimento Continental Ocean Limitada, a Macau company which holds a development site located at Lote TN6, Cheok Ka Chun, Taipa, Macau at a consideration of approximately HK\$91.1 million. The site has an area of about 4,661 sq. m. and is intended to be developed into a 50s floors residential property with a shopping arcade and carpark.

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

During the period under review, the Group's turnover in leather trading business was approximately HK\$34.2 million (last interim period ended 30 September 2005: approximately HK\$42.7 million). The decrease was because the three months reporting period from January to March 2006 was the usual slack period of the year. The last interim period ended 30 September 2005 did not compose of this period.

On 27 June 2006, Star Palace Enterprises Limited ("Star Palace"), a 70% owned subsidiary of the Company sold its Hong Kong retail leather business under the brand "Mocca" at a consideration of HK\$950,000, wherein Star Palace has ceased to conduct the shoes and bags retail business both in Hong Kong and Macau. The Board has determined to discontinue the retail business in order to focus its vital strength on hotel and real estate investments.

### ***Health care business***

During the period under review, the health care business recorded a turnover of only approximately HK\$570,000 (last interim period ended 30 September 2005: approximately HK\$1,658,000), which shows the difficulty of running the business in Hong Kong and China. However, the Group continues to receive RMB100,000 per month from a clinical centre in Haikou People's Hospital on the leasing of a HIFU-bases ultrasound tumor therapy system to the centre. The Board has been closely monitoring the development of its health care business and evaluating the impact to the results of the Group.

### ***Future prospects of the Macau business and of the Group***

In addition to the surge of GDP and CPI in the second quarter of 2006 at 16.3% and 6.11% respectively higher than the same period of last year's, population of Macau hit 500,000 by the end of June 2006, an increase of 11.1% compared with the last interim period ended 30 September 2005. Whereas, the unemployment rate dropped to 3.8% which is expected to further decline upon the inauguration of Wynn Resort and Galaxy StarWorld Hotel in the second half of 2006. It is forecasted a 2006 visitor arrival and gaming revenue growth of 20% and 19% correspondingly are expected. As the escalation of US interest rate is expected to come to a halt, the Company considers that the outlook of Macau's property market is promising.

The Group has acquired three lots of land and buildings namely,

- (i) *Tap Siac, Macau.* The Group's interest is 51%. It is a single storey block building located at nos. 1-13 da Rua do Tap Siac, Macau. Decoration work has not yet been commenced and the Group is considering whether to hold the property for investment or for re-development.
- (ii) *Cheok Ka Chun, Taipa, Macau.* The Group intends to commence the design and site foundation work in the fourth quarter of 2006 and the first quarter of 2007.
- (iii) *Edificio Chu Kuan Mansion, Macau.* It is the current intention of the Group to retain these properties for investment purpose and generating rental income so as to broaden the revenue stream of the Group. Nevertheless, the directors will also consider to sell these properties if a reasonable return can be realised for the Group and the Shareholders of the Company.

The Group is optimistic towards the future prospects of its Macau business owing to the prime investment portfolios are being placed on the flourishing hotel and entertainment business as well as real estate market. As a whole, the Group has full confidence in developing its current property projects in Macau which is expected to boost up the revenue of the Group. Meanwhile, the Group will continue to explore investment with good return to bring in more substantial income.

## **HUMAN RESOURCES**

As at 30 June 2006, the Group employed about 37 full-time staff in Hong Kong and Macau after its retail leather business was sold on 27 June 2006. The Group remunerates its employees based on their performance, experience and prevailing industry practice.

## **FINANCIAL REVIEW**

### ***Liquidity and financial resources***

The Group's equity attributable to equity holders of the Company as at 30 June 2006 was approximately HK\$705 million (31 December 2005: approximately HK\$607 million). The net current liabilities as at 30 June 2006 was approximately HK\$236 million (31 December 2005: approximately HK\$86 million) while the cash and bank balances as at 30 June 2006 was approximately HK\$52 million (31 December 2005: approximately HK\$20 million). As at 30 June 2006, the gearing ratio, representing the interest bearing borrowings as a percentage of total equity, was 38% (31 December 2005: 9%).

The Directors believe that a substantial part of the short term liabilities, mainly being the amount due to minority shareholders and bank loans obtained for the acquisition of properties 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.

### ***Charge on assets***

The properties under development with a carrying value of approximately HK\$383 million as at 30 June 2006 (31 December 2005: approximately HK\$73 million) were pledged to banks to secure general banking facilities.

### ***Foreign exchange risk***

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 June 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (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 Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), 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 Director	Capacity	Number of Shares	% to the Issued Share Capital of the Company
Mr. Chiang Pedro	Beneficial owner	153,640,520	5.43
Mr. Law Kar Po	Beneficial owner	265,022,000	9.36
Mr. Wu Ka I, Miguel	Beneficial owner	35,067,140	1.24
Mr. Ung Choi Kun	Beneficial owner	2,200,000	0.08
Mr. Hoi Man Pak	Beneficial owner	84,976,600	3.00
	Interest of spouse ( <i>Note</i> )	136,000	0.01

*Note:* These Shares are held by Ms. Wong Sao Lai, spouse of Mr. Hoi Man Pak.

**(B) LONG POSITION IN THE UNDERLYING SHARES****(i) Long position in the listed warrants (“HONESTY W0906”) of the Company**

Name of Director	Capacity	Number of Underlying Shares (in respect of “HONESTY W0906” of the Company) Held	% to the Issued Share Capital of the Company
Mr. Chiang Pedro	Beneficial owner	15,364,052	0.54
Mr. Law Kar Po	Beneficial owner	26,502,200	0.94
Mr. Wu Ka I, Miguel	Beneficial owner	3,506,714	0.12
Mr. Ung Choi Kun	Beneficial owner	220,000	0.01
Mr. Hoi Man Pak	Beneficial owner	8,497,660	0.30
	Interest of spouse ( <i>Note</i> )	13,600	0.01

*Note:* These underlying Shares are held by Ms. Wong Sao Lai, spouse of Mr. Hoi Man Pak.

HONESTY W0906 entitle the holders to subscribe for new Shares at a price of HK\$0.26 per Share (subject to adjustment) until 6 June 2009.

**(ii) Long position in the unlisted 2.5% fixed interest convertible redeemable notes (“CNs”) of the Company**

Name of Director	Capacity	Amount of CNs HK\$	Number of Underlying Shares and (%) to the Issued Share Capital of the Company
Mr. Chiang Pedro	Beneficial owner	36,437,703	246,200,696 (8.70)
	Interest of spouse	4,554,713	30,775,088 (1.08)
Mr. Law Kar Po	Beneficial owner	22,773,565	153,875,439 (5.44)
Mr. Wu Ka I, Miguel	Beneficial owner	4,554,713	30,775,087 (1.09)
Mr. Hoi Man Pak	Beneficial owner	13,664,137	92,325,250 (3.26)

*Note:* These underlying Shares are held by Ms. Leong Lai Heng, spouse of Mr. Chiang Pedro.

Holders of the CNs are entitled to elect to convert the CNs into Shares at the conversion price of HK\$0.148 per Share (subject to adjustment) until 27 April 2011.

**(iii) Long position in the unlisted warrants of the Company ("Warrants")**

Mr. Ung Choi Kun, as beneficial owner, directly held 5,000,000 Warrants carrying the rights to subscribe for 5,000,000 new Shares (representing approximately 0.18% of the issued share capital of the Company) of the Company at a subscription price of HK\$0.35 per Share (subject to adjustment ) until 20 July 2007.

Save as disclosed above, as at 30 June 2006, 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 to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2006, so far as is known to the Directors or the chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO:

**(a) Long position in the Shares**

Name of shareholder	Capacity	Number of Shares	% to the Issued Share Capital of the Company
Ms. Leong Lai Heng	Interest of spouse (Note 1)	153,640,520	5.43%
Ms. Wong Sao Lai	Beneficial owner	136,000	0.01%
	Interest of spouse (Note 2)	84,976,600	3.00%

Notes:

(1) These Shares are held by Mr. Chiang Pedro, the spouse of Ms. Leong Lai Heng.

(2) These Shares are held by Mr. Hoi Man Pak, the spouse of Ms. Wong Sao Lai.

**(b) Long position in the underlying Shares**

Name of shareholder	Capacity	Number of underlying Shares	% to the Issued Share Capital of the Company
Ms. Leong Lai Heng	Beneficial owner	30,775,088	1.08%
	Interest of spouse (Note 1)	261,564,748	9.24%
Ms. Wong Sao Lai	Beneficial owner	13,600	0.01%
	Interest of spouse (Note 2)	100,822,910	3.56%



*Notes:*

- (1) These underlying Shares are held by Mr. Chiang Pedro, the spouse of Ms. Leong Lai Heng.
- (2) These underlying Shares are held by Mr. Hoi Man Pak, the spouse of Ms. Wong Sao Lai.

Save as disclosed above, as at 30 June 2006, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the period under review, except for the following deviation:

### ***Code Provision A.4.1***

Code provision A.4.1 of the Code 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 of the Company is 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. The Company is of the view that such provision in the Company's articles of association has been able to safeguard corporate governance.

## **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 of all directors, it is confirmed that all directors 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 June 2006.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2006. In addition, the condensed consolidated financial statements of the Company for the six months ended 30 June 2006 have been reviewed by our auditors, CCIF CPA Limited. The Audit Committee comprises the three independent non-executive directors of the Company.

By order of the Board  
**CHIANG Pedro**  
*Chairman*

Hong Kong, 18 September 2006

**CCIF****CCIF CPA LIMITED**37/F Hennessy Centre  
500 Hennessy Road  
www.ccifcpa.com.hk

**INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF  
HONESTY TREASURE INTERNATIONAL HOLDINGS LIMITED**  
*(INCORPORATED IN CAYMAN ISLANDS WITH LIMITED LIABILITY)*

We have been instructed by the Company to review the interim financial report of the Company and its subsidiaries (collectively the "Group") set out on pages 10 to 30.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **REVIEW WORK PERFORMED**

We conducted our review in accordance with Statement of Auditing Standards ("SAS") 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquires of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **REVIEW CONCLUSION**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

We draw your attention to Note 1 to the interim financial report which indicates that the comparative information for the six months ended 30 September 2005 was neither reviewed in accordance with SAS 700 nor audited by us.

#### **CCIF CPA Limited**

*Certified Public Accountants*

Hong Kong, 18 September 2006

#### **Chan Wai Dune, Charles**

Practising Certificate Number P00712

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June 2006

		(Unaudited)	
		Six months ended	
		30 June 2006 HK\$'000	30 September 2005 HK\$'000
	Note		
<b>CONTINUING OPERATIONS</b>			
Turnover	2	34,771	44,401
Cost of sales		(26,179)	(32,798)
<b>Gross profit</b>		<b>8,592</b>	11,603
Other revenue	2	1,779	171
Administrative expenses		18,454	16,073
Distribution costs		1,690	3,066
		<b>(20,144)</b>	<b>(19,139)</b>
<b>Operating loss</b>		<b>(9,773)</b>	<b>(7,365)</b>
Impairment loss on intangible assets		–	(30,160)
Loss on disposal of property, plant and equipment		(536)	(26)
Finance costs	3	(1,027)	(93)
Share of results of associates		45,015	34,364
		<b>43,452</b>	<b>4,085</b>
<b>Profit/(Loss) before tax</b>	4(a)	<b>33,679</b>	<b>(3,280)</b>
Income tax expenses	5	–	(44)
<b>Profit/(Loss) for the period from continuing operations</b>		<b>33,679</b>	<b>(3,324)</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>Loss for the period from discontinued operations</b>	6	<b>(9,476)</b>	<b>(2,393)</b>
	4(b)	<b>(9,476)</b>	<b>(2,393)</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>24,203</b>	<b>(5,717)</b>

**CONDENSED CONSOLIDATED INCOME STATEMENT** *(Continued)**For the six months ended 30 June 2006*

		(Unaudited)	
		Six months ended	
		30 June 2006 <i>HK\$'000</i>	30 September 2005 <i>HK\$'000</i>
	<i>Note</i>		
<b>ATTRIBUTABLE TO:</b>			
– Equity holders of the parent		<b>24,189</b>	(3,496)
– Minority interests		<b>14</b>	(2,221)
		<b>24,203</b>	(5,717)
<b>EARNINGS/(LOSS) PER SHARE</b>			
– Basic	7		
From continuing and discontinued operations		<b>HK0.92 cents</b>	(HK0.17 cents)
From continuing operations		<b>HK1.28 cents</b>	(HK0.08 cents)
– Diluted			
From continuing and discontinued operations		<b>HK0.87 cents</b>	N/A
From continuing operations		<b>HK1.21 cents</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 June 2006

	Note	(Unaudited) 30/6/2006 HK\$'000	(Audited) 31/12/2005 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		12,275	15,723
Properties under development	9	383,014	72,731
Interests in associates		624,179	606,349
		<b>1,019,468</b>	694,803
<b>CURRENT ASSETS</b>			
Inventories		9,666	12,335
Trade and other receivables	10	21,262	18,863
Deposit for acquisition of properties		27,960	–
Financial assets at fair value through profit or loss		43	66
Trade deposits and receipts		–	835
Fixed deposits		7,282	–
Cash and bank balances		44,648	19,517
		<b>110,861</b>	51,616
<b>CURRENT LIABILITIES</b>			
Bills payable		1,232	353
Trade and other payables	11	25,280	26,040
Current portion of interest-bearing borrowings	12		
– Other loans		–	15,000
– Trust receipt loans and bank loans, secured		189,379	39,788
– Loan notes		1,479	1,461
Obligations under finance lease	12	77	253
Due to related companies		164	913
Due to directors		733	812
Due to minority shareholders		128,815	52,997
		<b>(347,159)</b>	(137,617)
<b>NET CURRENT LIABILITIES</b>		<b>(236,298)</b>	(86,001)

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

As at 30 June 2006

	Note	(Unaudited) 30/6/2006 HK\$'000	(Audited) 31/12/2005 HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>783,170</b>	608,802
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	12	76,641	–
Obligations under finance leases	12	13	64
Provision for long service payments		934	934
		(77,588)	(998)
<b>NET ASSETS</b>		<b>705,582</b>	607,804
<b>CAPITAL AND RESERVES</b>			
Share capital	13	141,541	121,541
Reserves		563,459	485,866
<b>Equity attributable to equity holders of the parent</b>		<b>705,000</b>	607,407
<b>Minority interests</b>		<b>582</b>	397
<b>TOTAL EQUITY</b>		<b>705,582</b>	607,804

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2006*

	(Unaudited)									
	Attributable to equity holders of the parent									
	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2006	121,541	439,019	69	-	(465)	4,950	42,293	607,407	397	607,804
Private placing	20,000	39,200	-	-	-	-	-	59,200	-	59,200
Investment in subsidiary	-	-	-	-	-	-	-	-	171	171
Issue of convertible notes – equity portion	-	-	-	15,324	-	-	-	15,324	-	15,324
Expenses on issue of share	-	(768)	-	-	-	-	-	(768)	-	(768)
Exchange differences arising from translation	-	-	-	-	(352)	-	-	(352)	-	(352)
Net profit for the period	-	-	-	-	-	-	24,189	24,189	14	24,203
At 30 June 2006	141,541	477,451	69	15,324	(817)	4,950	66,482	705,000	582	705,582

*For the six months ended 30 September 2005*

	(Unaudited)									
	Attributable to equity holders of the parent									
	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2005	98,531	660,795	69	3,159	(220)	-	(218,121)	544,213	2,563	546,776
Effect of initial adoption of HKFRS 3	-	-	-	(3,159)	-	-	3,159	-	-	-
At 1 April 2005 (restated)	98,531	660,795	69	-	(220)	-	(214,962)	544,213	2,563	546,776
Private placing	3,000	17,410	-	-	-	-	-	20,410	-	20,410
Capitalization of premium	20,010	(20,010)	-	-	-	-	-	-	-	-
Investment in subsidiary	-	-	-	-	-	-	-	-	48	48
Issue of warrants	-	-	-	-	-	4,950	-	4,950	-	4,950
Expenses on capitalisation of premium	-	(320)	-	-	-	-	-	(320)	-	(320)
Exchange differences arising from translation	-	-	-	-	(254)	-	-	(254)	-	(254)
Net loss for the period	-	-	-	-	-	-	(3,496)	(3,496)	(2,221)	(5,717)
At 30 September 2005	121,541	657,875	69	-	(474)	4,950	(218,458)	565,503	390	565,893

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2006*

	(Unaudited)	
	Six months ended	
	30 June 2006 HK\$'000	30 September 2005 HK\$'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(17,223)	22,636
NET CASH USED IN INVESTING ACTIVITIES	(309,769)	(36,238)
NET CASH FROM FINANCING ACTIVITIES	359,757	20,209
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,765	6,607
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,517	12,818
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(352)	(461)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	51,930	18,964
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	44,648	18,964
Fixed deposits	7,282	–
	51,930	18,964



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2006

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim 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 Group had not appointed the auditors to carry out any review of the comparative interim financial statements for the six months ended 30 September 2005 in accordance with SAS 700 in respect of the comparative figures.

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

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("new HKFRSs"), amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective for the current accounting period. The directors of the Company anticipate that the application of these new standard, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives

During last financial year, the directors of the Company resolved to change its accounting year end date from 31 March to 31 December in order to facilitate the preparation of the consolidated accounts. As a result, the condensed financial statements for the current period cover the six months period from 1 January 2006 to 30 June 2006. Whilst the comparative amounts shown for the condensed financial statements and related notes cover the six months from 1 April 2005 to 30 September 2005, being the period published in the Company's last interim report.

## 2. TURNOVER AND SEGMENT INFORMATION

(a) *Turnover and revenue*

Turnover represented sales value of goods supplied to customers (after deduction of any goods returns and trade discounts), retailing business and provision for healthcare and medical-related services.

	(Unaudited)	
	Six months ended	
	30 June 2006 HK\$'000	30 September 2005 HK\$'000
<b>TURNOVER</b>		
<b>Continuing operations:</b>		
Trading	34,201	42,743
Healthcare and medical-related businesses	570	1,658
	34,771	44,401
<b>Discontinued operations:</b>		
Retailing	9,300	3,689
	44,071	48,090
<b>OTHER REVENUE</b>		
<b>Continuing operations:</b>		
Bad debts recovered	5	–
Interest income	569	45
Gross rental income from:		
– Investment property	–	126
– Other properties	293	–
Sundry income	368	–
Gain on exchange difference	453	–
Sample sales income	10	–
Discount on acquisition of a subsidiary	81	–
	1,779	171
<b>Discontinued operations:</b>		
Interest income	10	7
Commission income	167	–
Sundry income	17	–
Gain on exchange difference	26	–
	220	7
	1,999	178

2. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) *Kenitic Innovation Limited*

The Company holds 51% in Kenitic Innovation Limited ("Kenitic") and the remaining 49% is held by General Lions Group Inc., a company wholly owned by Mr. Tang Yuk Hing ("Mr. Tang") and his wife. Mr. Tang is the founder of Kenitic.

Pursuant to the Company's circular of 17 May 2004, the Company's announcement of 7 March 2006 and a Deed of Guarantee dated 23 April 2004 entered into between Mr. Tang, General Lions Group Inc. (collectively the "Guarantors") and the Company, the Guarantors jointly and severally, irrevocably and unconditionally guaranteed and warranted to the Company that:

- (i) the total after-tax profit of Kenitic in the first two years after completion of the acquisition of Kenitic (the "First Profit Guarantee Period") shall be no less than HK\$10,000,000 (the "Guaranteed Amount"); and
- (ii) the after-tax profit of Kenitic in the third year after completion of the acquisition of Kenitic shall be no less than HK\$5,000,000.

The Deed of Guarantee further provides that the after-tax profit shall be based on the annual audit reports to be issued within 60 days of the end of the respective guarantee period. In the event that the after-tax profit falls below the guaranteed amount in the respective period referred to the above, the Guarantors shall pay Kenitic the shortfall in cash within 30 days of the issuance of the audited annual report of Kenitic for the respective financial year.

On 27 February 2006, the Guarantors requested the Company to extend the First Profit Guarantee Period to 31 March 2007 but was not accepted by the Company. According to the audited financial statements of Kenitic for the two years ended 31 March 2006, Kenitic incurred a total loss of HK\$7,983,509. As the total after-tax profit guaranteed by the Guarantors for the First Profit Guarantee Period is a sum not less than HK\$10,000,000, consequently, a shortfall in the total sum of HK\$17,893,509 (the "Shortfall") has been resulted. Therefore, demand letters dated 25 August 2006 have been issued by lawyers to demand the Guarantors immediately to pay to Kenitic the Shortfall pursuant to the Deed of Guarantee. As at the date of this interim report being approved and authorised for issue by the board of directors of the Company, the Guarantors and the Company are under negotiation for the repayment of the Shortfall.

## 2. TURNOVER AND SEGMENT INFORMATION (Continued)

## (c) 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 June 2006 (Unaudited)							
	Continuing operations					Discontinued operations	Total	
	Property development HK\$'000	Trading HK\$'000	Healthcare and medical related business HK\$'000	Corporate HK\$'000	Elimination HK\$'000	Sub-total HK\$'000	Retailing HK\$'000	HK\$'000
<b>Segment revenue</b>								
External customers	-	34,201	570	-	-	34,771	9,300	44,071
Inter-segments	-	-	-	120	(120)	-	-	-
	-	34,201	570	120	(120)	34,771	9,300	44,071
<b>Segment results</b>	102	(2,803)	(862)	(56,694)	50,484	(9,773)	(4,586)	(14,359)
Loss on disposal of property, plant and equipment						(536)	(739)	(1,275)
Loss on disposal of inventories						-	(1,744)	(1,744)
Loss on disposal of subsidiaries						-	(6)	(6)
Loss on discontinuation of business						-	(2,401)	(2,401)
Finance costs						(1,027)	-	(1,027)
Share of results of associates						45,015	-	45,015
Income tax expenses						-	-	-
<b>Profit/(Loss) for the period</b>						33,679	(9,476)	24,203

## 2. TURNOVER AND SEGMENT INFORMATION (Continued)

## (c) Segment information (Continued)

Business segments (Continued)

	For the six months ended 30 September 2005 (Unaudited)						
	Continuing operations					Discontinued operations	Total
	Trading HK\$'000	Healthcare and medical related business HK\$'000	Corporate HK\$'000	Elimination HK\$'000	Sub-total HK\$'000	Retailing HK\$'000	HK\$'000
<b>Segment revenue</b>							
External customers	42,743	1,658	–	–	44,401	3,689	48,090
Inter-segments	–	–	–	–	–	–	–
	42,743	1,658	–	–	44,401	3,689	48,090
<b>Segment results</b>	(953)	(4,282)	(2,130)	–	(7,365)	(2,393)	(9,758)
<b>Impairment loss on intangible assets</b>					(30,160)	–	(30,160)
<b>Loss on disposal of property, plant and equipment</b>					(26)	–	(26)
<b>Finance costs</b>					(93)	–	(93)
<b>Share of results of associates</b>					34,364	–	34,364
<b>Income tax expenses</b>					(44)	–	(44)
<b>Loss for the period</b>					(3,324)	(2,393)	(5,717)

## 3. FINANCE COSTS

	(Unaudited)	
	30 June 2006 HK\$'000	30 September 2005 HK\$'000
<b>Continuing operations:</b>		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	145	84
Interest on convertible notes	872	–
Finance charges on obligations under finance leases	10	9
	1,027	93

**4. PROFIT/(LOSS) BEFORE TAX**

Profit/(Loss) before tax is stated after (charging)/crediting:

	(Unaudited)	
	Six months ended	
	30 June 2006 HK\$'000	30 September 2005 HK\$'000
<b>(a) Continuing operations:</b>		
<b>Charging:</b>		
Cost of inventories	(26,179)	(32,798)
Depreciation of property, plant and equipment	(1,204)	(1,055)
Impairment loss on intangible assets	–	(30,160)
Loss on disposal of property, plant and equipment	(536)	(26)
Net realized loss on financial assets at fair value through profit or loss	(7)	–
<b>Crediting:</b>		
Interest income	569	45
Discount on acquisition of a subsidiary	81	–
Net realized gain on financial assets at fair value through profit or loss	–	27
Net movement in provision for slow moving inventories	2,159	–
<b>(b) Discontinued operations:</b>		
<b>Charging:</b>		
Cost of inventories	(5,278)	(1,639)
Depreciation of property, plant and equipment	(369)	(123)
Loss on disposal of:		
– Property, plant and equipment	(739)	–
– Inventories	(1,744)	–
– Subsidiaries	(6)	–
Loss on discontinuation of business	(2,401)	–
<b>Crediting:</b>		
Interest income	10	7

## 5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit arising in Hong Kong during the period under review. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents:

	(Unaudited)	
	Six months ended	
	30 June 2006 HK\$'000	30 September 2005 HK\$'000
Hong Kong profits tax		
Current period	–	44
	–	44

No provision for deferred taxation has been made in the financial statements for the current period (2005: 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.

## 6. DISCONTINUED OPERATIONS

On 27 June 2006, Star Palace Enterprises Limited, a 70% owned subsidiary of the Company, entered into a business agreement for the transfer of assets of the Shoes and Bags Retail Business to a related company owned by two directors at a consideration of HK\$950,000. The details of the transfer could be referred to the announcement dated 29 June 2006 and the circular dated 13 July 2006 of the Company and note 15(c) to the interim report.

An analysis of the result and cash flows of the discontinued operations is as follows:

	(Unaudited)	
	Six months ended	
	30 June 2006 HK\$'000	30 September 2005 HK\$'000
Turnover	9,300	3,689
Other revenue	220	7
Expenses	(18,996)	(6,089)
Loss before tax	(9,476)	(2,393)
Income tax expenses	–	–
Loss for the period	(9,476)	(2,393)
Net cash used in operating activities	(4,026)	(6,447)
Net cash from/(used in) investing activities	1,035	(933)
Net cash from financing activities	3,268	5,000
Total net cash inflow/(outflow)	277	(2,380)

## 7. EARNINGS/(LOSS) PER SHARE

*From continuing and discontinued operations*(a) *Basic earnings/(loss) per share*

The calculation of basic earnings/(loss) per share is as follows:

	(Unaudited)	
	Six months ended	
	30 June 2006 HK\$'000	30 September 2005 HK\$'000
<b>Earnings/(Loss) attributable to equity holders of the parent</b>	<b>24,189</b>	(3,496)
	<b>Number of Shares</b>	
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 January/1 April	2,430,822,840	1,970,622,840
Effect of issuance of shares for the placing	203,076,923	24,960,000
Issue of shares at premium	–	28,814,400
<b>Weighted average number of ordinary shares at 30 June/30 September</b>	<b>2,633,899,763</b>	2,024,397,240

(b) *Diluted earnings/(loss) per share*

Diluted loss per share for the six months ended 30 September 2005 was not presented as the exercise of the outstanding warrants of the Company would be anti-dilutive.

The diluted earnings per share for the six months ended 30 June 2006 is calculated based on the adjusted net profit attributable to the equity holders of the parent of HK\$24,907,000 and weighted average number of shares of 2,851,692,685, calculated as follows:

	(Unaudited) Six months ended 30 June 2006 HK\$'000
<b>Earnings</b>	
Earnings attributable to equity holders of the parent	24,189
After tax effect of effective interest on liability component of convertible notes	718
<b>Adjusted earnings</b>	<b>24,907</b>
	<b>Number of Shares</b>
<b>Weighted average number of ordinary shares</b>	
Weighted average number of ordinary shares at 30 June 2006	2,633,899,763
Effect of conversion of convertible notes into the Company's new ordinary shares	217,792,922
<b>Adjusted weighted average number of ordinary shares at 30 June 2006</b>	<b>2,851,692,685</b>

The computation of diluted earnings per share for the six months ended 30 June 2006 does not assume the exercise of warrants of the Company because the effect of exercise of outstanding warrants would be anti-dilutive.



## 7. EARNINGS/(LOSS) PER SHARE (Continued)

*From continuing operations*(a) *Basic earnings per share*

The calculation of basic earnings/(loss) per share is as follows:

	(Unaudited)	
	Six months ended	
	30 June 2006 HK\$'000	30 September 2005 HK\$'000
<b>Earnings/(Loss) attributable to equity holders of the parent</b>	33,665	(1,690)
	Number of Shares	
<b>Weighted average number of ordinary shares</b> (same as weighted average number of ordinary shares for basic earnings per share for continuing and discontinued operations)	2,633,899,763	2,024,397,240

(b) *Diluted earnings per share*

Diluted loss per share for the six months ended 30 September 2005 was not presented as the exercise of the outstanding warrants of the Company would be anti-dilutive.

The diluted earnings per share for the six months ended 30 June 2006 is calculated based on the adjusted net profit attributable to the equity holders of the parent of HK\$34,383,000 and weighted average number of shares of 2,851,692,685, calculated as follows:

	(Unaudited) Six months ended 30 June 2006 HK\$'000
<b>Earnings</b>	
Earnings attributable to equity holders of the parent	33,665
After tax effect of effective interest on liability component of convertible notes	718
Adjusted earnings	34,383
	Number of Shares
<b>Weighted average number of ordinary shares</b> (same as weighted average number of ordinary shares for basic earnings per share for continuing and discontinued operations)	2,851,692,685

The computation of diluted earnings per share for the six months ended 30 June 2006 does not assume the exercise of warrants of the Company because the effect of exercise of outstanding warrants would be anti-dilutive.

**8. DIVIDENDS**

The board of directors does not recommend the payments of any interim dividend for the six months ended 30 June 2006 (2005: Nil).

**9. PROPERTIES UNDER DEVELOPMENT**

As at 30 June 2006, the properties under development amounting to HK\$383,014,000 (31 December 2005: HK\$72,731,000) were held in Macau and pledged as securities for bank loans as disclosed in note 12.

**10. 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:

	<b>(Unaudited)</b> <b>30/6/2006</b> <b>HK\$'000</b>	(Audited) 31/12/2005 HK\$'000
Trade receivables		
Due:		
Within 30 days	<b>9,072</b>	3,209
31 – 60 days	<b>2,789</b>	2,481
61 – 90 days	<b>123</b>	864
Over 90 days	<b>220</b>	1,274
	<b>12,204</b>	7,828
Other receivables	<b>9,058</b>	11,035
	<b>21,262</b>	18,863

**11. TRADE AND OTHER PAYABLES**

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

	<b>(Unaudited)</b> <b>30/6/2006</b> <i>HK\$'000</i>	(Audited) 31/12/2005 <i>HK\$'000</i>
Trade payables		
Due:		
Within 30 days	6,890	1,164
31 – 60 days	222	638
61 – 90 days	476	200
Over 90 days	392	285
Other payables	7,980	2,287
	<b>17,300</b>	23,753
	<b>25,280</b>	26,040

## 12. INTEREST-BEARING BORROWINGS

	(Unaudited) 30/6/2006 HK\$'000	(Audited) 31/12/2005 HK\$'000
Bank loans, secured	187,400	37,200
Trust receipt loans, secured	1,979	2,588
Convertible notes ( <i>Note</i> )	76,641	–
Loan notes	1,479	1,461
Other loans	–	15,000
Obligations under finance lease	90	317
	<b>267,589</b>	<b>56,566</b>

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

	Convertible notes, loan notes and other loans		Bank loans and trust receipt loans, secured		Obligations under finance leases	
	(Unaudited) 30/6/2006 HK\$'000	(Audited) 31/12/2005 HK\$'000	(Unaudited) 30/6/2006 HK\$'000	(Audited) 31/12/2005 HK\$'000	(Unaudited) 30/6/2006 HK\$'000	(Audited) 31/12/2005 HK\$'000
Within one year	1,479	16,461	189,379	39,788	77	253
In the second to fifth year	76,641	–	–	–	13	64
	<b>78,120</b>	<b>16,461</b>	<b>189,379</b>	<b>39,788</b>	<b>90</b>	<b>317</b>

*Note:*

On 28 February 2006, the Company announced that a wholly owned subsidiary of the Company entered into a binding letter of intent dated 20 February 2006 with vendors who were Mr. Pedro Chiang, Mr. Law Kar Po, Mr. Wu Ka I, Miguel, Ms. Leong Lai Heng, Mr. Hoi Man Pak and Mr. Choy Wang Kong in respect of the acquisition of 55% of the issued quota and shareholders' loans of Companhia De Investimento E Desenvolvimento Continental Ocean Limitada (in English "Continental Ocean Investment and Development Company Limited") ("CIDCOL"). CIDCOL is a company incorporated in Macau on 7 October 2005 and its only material asset is a development site located in Lote TN6, Taipa, Macau. The consideration of the acquisition was approximately HK\$91.1 million and was satisfied by the issue of 2.5% fixed interest convertible redeemable notes ("convertible notes") by the Company on 28 April 2006. The vendors, other than Mr. Choy Wang Kong, are directors or their associates of the Company.

Holders of the convertible notes are entitled to elect to convert the convertible notes into Shares of the Company at the conversion price of HK\$0.148 per Share (subject to adjustment) until 27 April 2011.

**13. ISSUED CAPITAL**

	<b>(Unaudited)</b> <b>30/6/2006</b>		<b>(Audited)</b> <b>31/12/2005</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>	<b>Number of shares</b>	<b>HK\$'000</b>
Authorised:				
Ordinary shares of HK\$0.05 each	<b>5,000,000,000</b>	250,000	<b>5,000,000,000</b>	250,000
			<b>Number of ordinary shares of HK\$0.05 each</b>	<b>Nominal value HK\$'000</b>
Issued and fully paid:				
At 1 January 2006 (audited)			2,430,822,840	121,541
Placing (a)			400,000,000	20,000
At 30 June 2006 (unaudited)			2,830,822,840	141,541

- (a) Reference was made to the announcement of the Company dated 28 February 2006, the increase in issued share capital was due to the placing of 400,000,000 new shares (the "placing shares") of HK\$0.05 each in the capital of the Company at the price of HK\$0.148 per placing share. The placing was completed on 31 March 2006.
- (b) On 24 April 2006, the board proposed a conditional bonus warrant issue to the shareholders on the basis of one warrant for every ten shares of the Company. The initial subscription price was determined at HK\$0.26 per share, subject to adjustment, and the bonus warrants ("Warrant 2009") are exercisable at any time during the period from 7 June 2006 to 6 June 2009 (if that day is not a business day, the business day immediately preceding that day) (both days inclusive). Up to 30 June 2006, there is no exercise of Warrant 2009 and the amount of outstanding Warrant 2009 as at 30 June 2006 is HK\$73,601,394.

**14. CONTINGENT LIABILITIES**

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

**15. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere and in notes 2(b) and 12 in these financial statements, the Group had the following transactions with related parties during the period under review:

- (a) Mr. Lee Sam Yuen, John (an ex-director) and Mrs. Lee Shiao Yu Cho (a close family member of Mr. Lee Sam Yuen, John) provided a personal guarantee of HK\$100,000,000 (31 December 2005: HK\$100,000,000) to a bank to secure general banking facilities granted to a subsidiary, for which no charge was made.
- (b) The Group has leased certain properties from D. H. International Limited ("D.H. International"), a related company owned by a foundation of which Mrs. Lee Shiao Yu Cho and Mr. Lee Sam Yuen, John are beneficiaries, at an aggregate monthly rental of HK\$109,000 (2005: HK\$107,000). Total rental paid during the period under review amounting to HK\$654,000 (six months ended 30 September 2005: HK\$642,000). In addition to the above, D.H. International has provided all monies mortgage over six properties held and an assignment of the insurance policy over these properties to a bank to secure general banking facilities granted to a subsidiary of the Company.
- (c) The Group has transferred the retail assets of the Shoes and Bags Retail Business to a related company, of which Mr. Law Kar Po and Ms. Law Wing Yee, Wendy are the directors, at a consideration of HK\$950,000. Retail assets included, but not limited to inventories as at commencement of business of 15 June 2006, equipment, fixed assets, contracts, business records, rights in the use of licences and interests in the entire issued share capital of Star Power Trading Limited and Star Chain Enterprises Limited which are all related to the Shoes and Bags Retail Business. Upon completion of such sale and purchase on 30 June 2006, the Group ceased to conduct the Shoes and Bags Retail Business. The total loss arising on this transaction was HK\$2,077,000.
- (d) On 30 May 2005, a subsidiary of the Company as tenant, entered into a tenancy agreement with Precision Advance Limited which is owed as to approximately 33.3% by Mr. Law Kar Po, a director and a substantial shareholder of the Company, and as to approximately 66.7% by Mr. Law's relatives. The monthly rental and other related expenses are about HK\$180,000 (2005: HK\$180,000) and HK\$7,187 (2005: HK\$7,187) respectively. The total rental and related expenses paid during the period under review amounting to HK\$940,260 (six months ended 30 September 2005: HK\$514,402).

**16. OPERATING LEASE COMMITMENTS****(a) Operating lease receivable**

The Group leased out certain buildings and part of office under operating lease. As at 30 June 2006, the Group had future minimum lease receivable under non-cancellable operating leases falling due as follows:

	<b>(Unaudited)</b> <b>30/6/2006</b> <b>HK\$'000</b>	(Audited) 31/12/2005 HK\$'000
Within one year	770	781
In the second to fifth year	424	434
	<b>1,194</b>	1,215

**16. OPERATING LEASE COMMITMENTS** *(Continued)***(b) Operating lease payable**

As at 30 June 2006, 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:

	<b>(Unaudited)</b> <b>30/6/2006</b> <b>HK\$'000</b>	(Audited) 31/12/2005 HK\$'000
Within one year	5,237	14,736
In the second to fifth year	827	12,731
	<b>6,064</b>	27,467

**17. CAPITAL COMMITMENTS**

	<b>(Unaudited)</b> <b>30/6/2006</b> <b>HK\$'000</b>	(Audited) 31/12/2005 HK\$'000
Commitments for the acquisition of property, plant and equipment		
– contracted but not provided for	<b>114,443</b>	2,603
– authorised but not contracted for	<b>49,070</b>	49,070
	<b>163,513</b>	51,673

**18. POST BALANCE SHEET EVENTS**

On 23 May 2006, Super Times Far East Limited, a subsidiary of the Company, entered into a provisional contract with the vendor for the acquisition of the properties in Macau at a total consideration of HK\$139,800,000. The transaction was completed on 25 July 2006 and the remaining balance of HK\$111,840,000 was settled by a mortgage loan and cash.

**19. COMPARATIVE FIGURES**

With a review of financial statements presentation, certain items 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.