

Innovo

Leisure Recreation Holdings Limited
澤新遊樂控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code : 703



*Interim Report
2006*

The Board of Directors (the "Directors") of Innovo Leisure Recreation Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 (the "Period") together with the unaudited comparative figures for the corresponding period in 2005.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2006, the turnover of the Group was approximately HK\$6.8 million, representing a decrease of 19.0% as compared to the same period last year of HK\$8.4 million. Turnover of the Group was derived from the carnival business held in Nanhu and Shaoguan, the People's Republic of China (the "PRC"). The loss from operations was approximately HK\$751,000 (six months ended 30 June 2005: HK\$25.7 million). The loss attributable to shareholders of the Group for the six months ended 30 June 2006 was HK\$5.0 million, representing a decrease of 82.8% as compared to the same period last year of HK\$29.0 million. The decrease in loss was mainly attributable to enhanced efficiency in operating expenses including reduced number of foreign operators, an attractive rental package, cut down in the site preparation costs, promotion expenses and rides transportation costs during the Period.

OPERATION REVIEW

The Group has during the Period embarked on setting up a fixed location nature amusement park in Panyu, the PRC while continuing its carnival business.

The Group operated during the Period two itinerant carnivals one in Nanhu and one in Shaoguan, the PRC. The performance of the Nanhu and Shaoguan carnivals achieved profitability during the period compared to the Foshan carnival in the corresponding period, with the enhanced experience and efficiency gained through previous carnivals. During the Period, the total income before sales tax from carnival principal activities including admission fee, rides, games stalls and sponsorship was HK\$7.00 million, a decrease of 17.6% as compared to the same period last year of HK\$8.49 million due to the decrease in number of visitors. The Group's food and beverages business generated some HK\$101,000.



LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group had net current assets of HK\$64.0 million (as at 31 December 2005: HK\$63.5 million). As at 30 June, 2006, the Group's cash and bank balances amounted to HK\$1.3 million (as at 31 December 2005: HK\$0.6 million). As at 30 June 2006, the Group's bank overdrafts amounted to HK\$2.9 million (as at 31 December 2005: Nil). The Managing Director, Mr. Chan Chak Mo, has provided personal guarantee to secure the bank overdrafts.

The Group has interest-bearing loans of HK\$84.9 million as at 30 June 2006 (as at 31 December 2005: HK\$74.6 million). The interest-bearing loans comprised of a controlling shareholder's loan of HK\$6.4 million which was unsecured, interest bearing at the range from 3% to 8% per annum and without fixed repayment terms and the balance of HK\$78.5 million represented directors' loans which were unsecured, interest bearing at 3% per annum and without fixed repayment terms. The controlling shareholder and directors waived their interest against the Group during the Period.

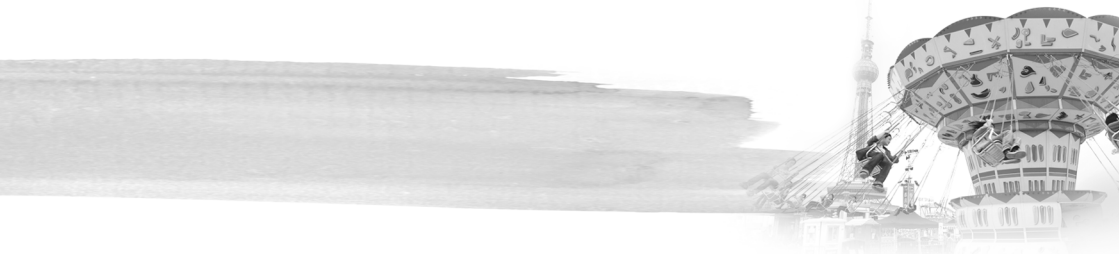
As at 30 June 2006, the Group had bank loans of approximately HK\$48.5 million (as at 31 December 2005: HK\$51.9 million). Bank loans were interest bearing at the range from 8.5% to 9.25% per annum and were repayable from November 2004 by instalments. Mr. Chan Chak Mo has provided personal guarantee and the controlling shareholder, Puregain Assets Limited, has pledged its Company's shares, to secure these bank loans. Under the share mortgage, it is an event of default if Puregain Assets Limited ceases to own at least 51% of the issued share capital of the Company without first obtaining Seng Heng Bank's consent and in which event Seng Heng Bank may exercise its power under the share mortgage to sell or dispose of all or any part of the pledged shares. The Group's borrowings were made in Hong Kong dollar.

In addition, Mr. Chan Chak Mo and Puregain Assets Limited, the controlling shareholder, have provided financial support to the Group to enable it to meet in full its financial obligations.

As at 30 June 2006, the Group's gearing ratio represented by bank borrowings and interest-bearing loans bearing to the Group's total assets was 125.7% (as at 31 December 2005: 122.0%).

MATERIAL LITIGATION

As at 30 June 2006, the Group had not involved in any material adverse litigation or arbitration (as at 31 December 2005: Nil).



CHARGES ON GROUP ASSETS

As at 30 June 2006, the Group did not have any charges on assets (as at 31 December 2005: Nil).

CONTINGENT LIABILITIES

As at 30 June 2006, the Group did not have any contingent liabilities (as at 31 December 2005: Nil).

CURRENCY EXPOSURE

As at 30 June 2006, the Group did not have any outstanding hedging instrument. The Group should continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

EMPLOYEES

As at 30 June 2006, the Group employed a total of 43 full time staff in Hong Kong and China. During the two carnivals in Nanhu and Shaoguan, the Group employed over 250 temporary staff in China. The remuneration policies are reviewed on a periodical basis by the current management.

OUTLOOK

The Group has started a new carnival in Shaoguan from 28 April 2006 for three years ending 15 May 2009. The Group's carnival is the only sizable carnival in Shaoguan to cater for all the local people and tourists. The management is confident that the Shaoguan carnival would perform far better than the previous carnivals because, with a fixed term of 3 years, the set-up costs paid up-front was lower and would be amortized over 3 years; the overall running costs are far less; and the monthly rental is relatively insubstantial without revenue sharing with landlord. The profit sharing agreement with a famous hot spring hotel in Shaoguan has also guaranteed a minimum annual net profit after tax of RMB8.0 million per year from this Shaoguan carnival to the Group.



During the period, the Group set up an equity joint venture with an independent third party to re-develop a piece of land of some 200,000 sq. m. into a nature amusement park in Panyu. The Group has planned to re-develop this site into a nature amusement park which will have fishing ponds, organic farming, horse riding, small animal rearing houses, restaurants, boating facilities, tennis courts, swimming pools, archery centre, outward bound facilities, 62 guest lodging cottages, amusement rides, games stalls and electronic amusement game machines. The management believes that this nature amusement park would attract lots of visitors especially during the national spring and fall tours. To reduce overheads and enhance efficiency, the facilities for fishing ponds and organic farming would be sub-contracted to outside parties with expertise in these areas based on a revenue sharing basis.

Given the high population density in Panyu and the neighbouring cities, attractive rental package, a long duration of rental period, the management believes that such combination of a nature park and amusement park would be attractive.

RESUMPTION PROPOSAL

Trading in the Company's shares has been suspended on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") since 15 December 2003 at the request of the Company. The Company has since then repeatedly requested the Stock Exchange to allow the Company to resume its share trading and to implement a proposal to enlarge the Company's capital and cash flow bases.

The Stock Exchange put the Company on the second stage of the delisting process from 23 June 2006. The Company is currently preparing a detailed resumption proposal for the Stock Exchange's consideration. Such resumption proposal will involve a capitalization of the loans due to Mr. Chan Chak Mo, a placement to raise new fund, and an acquisition of interests in a restaurant business. It is intended that upon implementation of such resumption proposal, the Company's share trading could resume, the Group will improve significantly its capital base and cash flow with enhanced revenue from the restaurant business and the stable Shaoguan carnival business with a RMB8 million annual guarantee.



DIRECTORS' INTERESTS AND LONG/SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 30 June 2006, the interests and long/short positions of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Hong Kong Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of issued share capital of the Company
Mr. Chan Chak Mo	Beneficial owner (Note a)	373,962,000	62.33%
Mr. Yu Kam Yuen Lincoln	Beneficial owner	2,802,000	0.47%

Note a: These shares, representing approximately 62.33% of the issued share capital of the Company, of which 51.33% are held by Puregain Assets Limited, a company beneficially wholly-owned by Mr. Chan Chak Mo and balance of 11.0% are held by Cash Smart Enterprises Limited, a company beneficially owned by Madam Leong On Kei, Angela and Mr. Chan Chak Mo.

Save as disclosed herein, none of the Directors nor their associates had any interests or long/short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2006.



SHARE OPTIONS

Pursuant to the share option scheme adopted by the Company on 13 June 2002, the Company may grant options to the directors, non-executive directors, suppliers of goods and services, customers, advisors and consultants, shareholders of the Company or any of its subsidiaries for the primary purpose of providing incentives to them, to subscribe for shares in the Company with the payment of HK\$1 per offer. The total number of shares in respect of which options may be granted shall not exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year shall not exceed 1% of the issued share capital of the Company. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's issued share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of the shares on the Stock Exchange on the date of grant; and the nominal value of the shares. The share options are exercisable for a period not later than 10 years from the date of grant.

No share options were granted since adoption of the scheme.



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and long/short positions in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of issued share capital of the Company
Cash Smart Enterprises Limited	Beneficial owner <i>(Note a)</i>	66,000,000	11%
Mr. Au Kai Kwong	Beneficial owner	51,000,000	8.5%
Global Trend Holdings Limited	Beneficial owner <i>(Note b)</i>	38,340,000	6.39%

Notes:

(a) Cash Smart Enterprises Limited, a company incorporated in the British Virgin Islands, is beneficially owned by Madam Leong On Kei, Angela and Mr. Chan Chak Mo. It has taken legal proceedings to require Mr. Li Tat Ting, a former shareholder, to buy all its 11% equity interest in the Company under a deed of put option dated 31 July 2002 at a total price of HK\$36.4 million. As the judgment has been obtained from the court that Mr. Li Tat Ting required to compensate the loss to Cash Smart Enterprises Limited, therefore the put option is lapsed.

(b) Global Trend Holdings Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mr. Tsang Chi Wai, Eric, a former director of the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests or long/short positions in the issued share capital of the Company as at 30 June 2006.



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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company comprised, Mr. Cheung Hon Kit, Mr. Chui Sai Cheong and Mr. Chan Shek Wah, the Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the Period. The interim results for the Period have been reviewed by BDO McCabe Lo Limited, whose independent review report is included in this report.

CORPORATE GOVERNANCE

The Directors are able to conform that the Company complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2006.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, none of the Directors has not complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction for the six months ended 30 June 2006.

On behalf of the Board

Chan Chak Mo

Managing Director

Hong Kong, 26 September 2006

As at the date hereof, the members of the board of directors of the Company comprise (i) Mr. Chan Chak Mo, the Managing Director, (ii) Mr. Chan See Kit, Johnny, the Chairman and executive Director, (iii) Mr. Lai King Hung, Ms. Leong In Ian, Mr. Tong Ka Wai and Mr. Lim Kam Hung, the executive Directors and (iv) Mr. Cheung Hon Kit, Mr. Chui Sai Cheong, Mr. Yu Kam Yuen, Lincoln and Mr. Chan Shek Wah, the independent non-executive Directors.



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INDEPENDENT REVIEW REPORT

TO THE DIRECTORS OF INNOVO LEISURE RECREATION HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by Innovo Leisure Recreation Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) to review the interim financial report set out on pages 11 to 20.

Respective responsibilities of directors

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 Standard 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our review was limited as explained below. A review consists principally of making enquiries of the Group’s 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.



Fundamental uncertainty relating to the going concern basis of presentation of financial statements

The scope of our review was limited as follows. The interim financial report have been prepared on a going concern basis on the basis that a controlling substantial shareholder has agreed to provide adequate financial support to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Although the Company has received a letter of support from the controlling substantial shareholder evidencing the commitment in this respect, we are unable to obtain sufficient evidence to satisfy ourselves as to the financial resources of the controlling substantial shareholder and so as to his ability to provide financial support to the Group. If the financial support from the controlling substantial shareholder is not forthcoming and the Group is unable to obtain sufficient other sources of financing, the Group may cease to operate and the going concern basis would then be inappropriate. In these circumstances, adjustments might be required to reduce the value of assets to their recoverable amount and to provide for any further liabilities might arise.

Fundamental uncertainty relating to the recoverability of certain receivables

In arriving at our review conclusion, we have considered the adequacy of the disclosure made in notes 11 and 12 to the financial statements which explains that included in the balance sheet of the Group at 30 June 2006 are amounts of HK\$29,323,000 and HK\$38,682,000 due from a trade debtor and a former director respectively. The Group filed separate claims in June 2004 and July 2004 against the trade debtor and the former director in the Hong Kong High Court to recover these amounts. Since the claims are still pending for court hearing, the directors consider it is unable to determine the final outcome of the claims. Accordingly, no impairment in respect of either of these amounts has been considered in the financial statements. We consider that appropriate disclosure regarding this fundamental uncertainty has been adequately disclosed in the interim financial report and our review conclusion is not modified on this respect.

Inability to reach a review conclusion

Because of the significance of the limitation in the scope of our work related to the going concern basis, we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 30 June 2006.

BDO McCabe Lo Limited

Certified Public Accountants

Lee Ka Leung, Daniel

Practising Certificate no. P01220

Hong Kong, 26 September 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

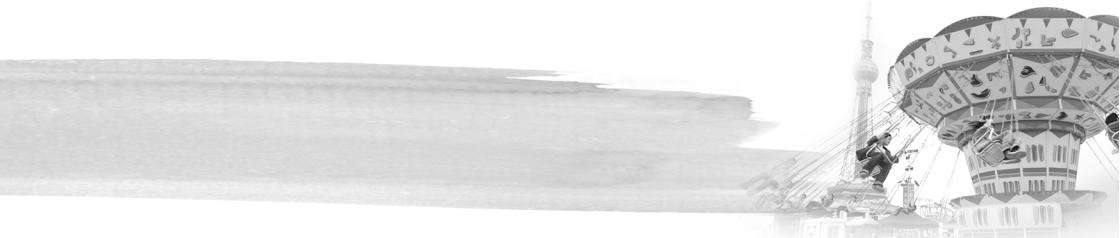
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	NOTES	1.1.2006 to 30.6.2006 (Unaudited) HK\$'000	1.1.2005 to 30.6.2005 (Unaudited) HK\$'000
Turnover	5	6,781	8,379
Other income	6	2,813	56
Depreciation and amortisation		(1,823)	(1,734)
Staff costs		(3,592)	(8,703)
Other operating expenses		(4,930)	(23,658)
Loss from operations		(751)	(25,660)
Finance income		2	–
Finance costs		(4,258)	(3,363)
Net loss for the period		(5,007)	(29,023)
Loss per share			
– Basic	9	(0.83) cents	(4.84) cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	NOTES	30.6.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	22,937	20,238
Current assets			
Inventories		5,563	5,686
Trade and other receivables	11	39,929	38,404
Amount due from a former director	12	38,682	38,682
Bank balances and cash		1,276	641
		85,450	83,413
Current liabilities			
Other payables		5,222	5,264
Amount due to a director		–	2,000
Deferred income	13	2,059	–
Bank loans due within one year	14	11,290	12,683
Bank overdrafts		2,860	–
		21,431	19,947
Net current assets		64,019	63,466
Total assets less current liabilities		86,956	83,704



	<i>NOTES</i>	30.6.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
Non-current liabilities			
Amount due to ultimate holding company		6,387	6,952
Amounts due to directors		78,486	67,693
Bank loans due after one year	14	37,234	39,203
		122,107	113,848
Total net liabilities		(35,151)	(30,144)
Capital and reserves			
Share capital		6,000	6,000
Reserves		(41,151)	(36,144)
Deficiency of shareholders' funds		(35,151)	(30,144)

The interim financial report on pages 11 to 20 were approved and authorised for issue by the Board of Directors on 26 September 2006 and are signed on its behalf by:

Chan Chak Mo
DIRECTOR

Tong Ka Wai
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 <i>(note 1)</i>	Foreign exchange reserve HK\$'000	Other reserve HK\$'000 <i>(note 2 & 3)</i>	Accum- ulated losses HK\$'000	Total HK\$'000
At 1 January 2006	6,000	18,197	34,800	632	–	(89,773)	(30,144)
Net loss for the period	–	–	–	–	–	(5,007)	(5,007)
At 30 June 2006 (unaudited)	<u>6,000</u>	<u>18,197</u>	<u>34,800</u>	<u>632</u>	<u>–</u>	<u>(94,780)</u>	<u>(35,151)</u>
At 1 January 2005							
– as previously reported	6,000	18,197	34,800	–	–	(74,632)	(15,635)
– effect of changes in accounting policies	–	–	–	–	1,298	–	1,298
At 1 January 2005 (restated)	6,000	18,197	34,800	–	1,298	(74,632)	(14,337)
Additions	–	–	–	–	1,430	–	1,430
Net loss for the period	–	–	–	–	–	(29,023)	(29,023)
At 30 June 2005 (unaudited)	<u>6,000</u>	<u>18,197</u>	<u>34,800</u>	<u>–</u>	<u>2,728</u>	<u>(103,655)</u>	<u>(41,930)</u>

Notes:

1. The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital and share premium of subsidiaries acquired pursuant to a group reorganisation in the preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2002.
2. The other reserve of the Group as at 30 June 2005 represented contribution from a shareholder, who is also a director, of the Company resulting from a shareholder's loan charged at below market rate.
3. From the 2005 audited financial statements, the Group's accumulated losses as at 1 January 2005 has been decreased by HK\$1,588,000 as result of the initial adoption of HKAS 39. The accumulated losses as at 1 January 2005 has been restated at HK\$73,044,000 accordingly.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	1.1.2006	1.1.2005
	to	to
	30.6.2006	30.6.2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	917	(28,299)
Net cash used in investing activities	(4,520)	(1,323)
Net cash from financing activities	1,378	25,098
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(2,225)	(4,524)
Cash and cash equivalents at 1 January	641	4,725
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	(1,584)	201
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,276	1,785
Bank overdrafts	(2,860)	(1,584)
	<hr/>	<hr/>
	(1,584)	201
	<hr/>	<hr/>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

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

In preparing the financial statements, the directors have given consideration to the liquidity position of the Group in light of its net liabilities of HK\$35,151,000 as at 30 June 2006. The condensed financial statements have been prepared on a going concern basis on the basis that a controlling substantial shareholder has agreed to provide adequate financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. At the same time, however, the Group is actively seeking other sources of financing.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 and 1 January 2006. The application 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 adjustments are required.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not yet early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosure ¹
HK (IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK (IFRIC) – INT 8	Scope of HKFRS 2 ³
HK (IFRIC) – INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

4. SEGMENT INFORMATION

The Company's operation is regarded as a single segment, being an enterprise engaged in the operation of carnivals amusement park.

Analysis of the Group's turnover and results as well as analysis of carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as they are substantially generated from or situated in the PRC.

5. TURNOVER

Turnover represents the net amounts received and receivables from third parties in connection with the operation of carnivals and provision of advertising services inside the carnivals.

	1.1.2006 to 30.6.2006 HK\$'000	1.1.2005 to 30.6.2005 HK\$'000
Income from admission fee, mechanical rides and redemption games	2,843	7,545
Advertising income	3,837	157
Sale of food and beverages	101	677
	6,781	8,379

6. OTHER INCOME

	1.1.2006 to 30.6.2006 HK\$'000	1.1.2005 to 30.6.2005 HK\$'000
Guarantee profit income	1,010	–
Waive of loan interest due to ultimate holding company	790	–
Waive of loan interest due to a director	648	–
Others	365	56
	2,813	56

The guarantee profit income represents the income received from an independent third party in accordance with the profit sharing agreement signed during the Period.



7. TAXATION

No provision for taxation has been made as the Group had no assessable profit for the Period.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006.

9. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2006 is based on the net loss for the period attributable to equity holders of the Company of HK\$5,007,000 (1.1.2005 to 30.6.2005: HK\$29,023,000) and on the 600,000,000 shares in issue during the period.

No diluted loss per share has been presented as there were no potential dilutive shares for the period.

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2006, the Group incurred approximately HK\$4,522,000 (1.1.2005 to 30.6.2005: HK\$1,323,000) on acquisition of property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

	30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Trade receivables	36,578	31,437
Other receivables	3,351	6,967
	<hr/> 39,929 <hr/>	<hr/> 38,404 <hr/>

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

	30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Age		
0 to 90 days	6,294	2,114
91 to 365 days	961	-
Over 365 days	29,323	29,323
	<hr/> 36,578 <hr/>	<hr/> 31,437 <hr/>

In June 2004, the Group filed a claim to the Hong Kong High Court against a trade debtor for the sale of theme park tickets of HK\$29,323,000. In the opinion of the directors, since the claim is still pending for court hearing, it is unable to determine the final outcome of the claim. Accordingly, no impairment on this amount has been made in the financial statements.



12. AMOUNT DUE FROM A FORMER DIRECTOR

The amount is unsecured, interest-free and has no fixed repayment terms.

In July 2004, the Group filed a claim to the Hong Kong High Court against a former director Mr. Li Tat Ting for an amount of HK\$38,682,000. In the opinion of the directors, since the claim is still pending for court hearing, it is unable to determine the final outcome of the claim. Accordingly, no impairment on this amount has been made in the financial statements.

13. DEFERRED INCOME

Deferred income represents the amounts received in advance from corporate customers for tickets sold but services have not yet rendered at the period end date. Upon the tickets being utilised, surrendered or expired, the respective deferred income will be recognised accordingly.

14. BANK LOANS

During the six months ended 30 June 2006, the Group repaid bank loans totally HK\$3,362,000 (1.1.2005 to 30.6.2005: HK\$4,751,000) and have not obtained any new bank loan (1.1.2005 to 30.6.2005: HK\$12,298,000). The loans bear interest at market rates and are repayable over a period of three years.

15. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2006, the Group incurred interest of HK\$271,000 (1.1.2005 to 30.6.2005: HK\$271,000) and HK\$975,000 (1.1.2005 to 30.6.2005: HK\$213,000) to its ultimate holding company and directors respectively.

During the six months ended 30 June 2006, the Group's ultimate holding company waived interest incurred during current period HK\$271,000 (1.1.2005 to 30.6.2005: Nil) and accrued interest in last year HK\$790,000 (1.1.2005 to 30.6.2005: Nil) against the Group respectively.

During the six months ended 30 June 2006, the Group's director waived interest incurred during current period HK\$975,000 (1.1.2005 to 30.6.2005: Nil) and accrued interest in last year HK\$648,000 (1.1.2005 to 30.6.2005: Nil) against the Group respectively.

As at 30 June 2006, the bank overdrafts included HK\$2,845,000 (31.12.2005: Nil) was secured by personal guarantee given by a director, Mr. Chan Chak Mo.

The bank loans were secured by a pledge of certain shares of the Company owned by the ultimate holding company, Puregain Assets Limited and personal guarantee given by a director, Mr. Chan Chak Mo.



16. OPERATING LEASE COMMITMENTS

The total future of minimum lease payments are due as follows:

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Within one year	945	163
Within two to five years	1,432	–
Over five years	5,221	–
	<hr/>	<hr/>
	7,598	163
	<hr/>	<hr/>

The Group was committed to make future minimum lease commitment in respect of land and buildings rented under non-cancellable operating leases which typically runs for the period from one year to twenty years.

17. POST BALANCE SHEET EVENT

During July 2006, there was heavy flooding in Shaoguan. Carnival held in Shaoguan was closed on 16 July 2006 and was re-opened on 30 August 2006. The amusement rides and machines and inventories in Shaoguan carnival remained in good condition after repair. Up to 6 September 2006, the estimated costs of repair valued by an independent surveyor were amounted to HK\$2.2 million (RMB2.3 million). In the opinion of directors, the estimated costs could be covered by the insurance. The insurance claim was under review.