安寧控股有限公司
ENM Holdings Limited
(Stock Code: 0128)

Interim Report 2006

The Board of Directors (the "Board") of ENM Holdings Limited (the "Company") herein present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006, together with the unaudited comparative amounts for the corresponding period in 2005.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	Notes	**Six months ended 30 June 2006** *(Unaudited)* *$'000*	Six months ended 30 June 2005 *(Unaudited)* *$'000*
Revenue	3	**102,488**	113,328
Cost of sales		**(42,139)**	(51,707)
Gross profit		**60,349**	61,621
Other income and gains	4	**1,635**	3,452
Selling and distribution costs		**(33,326)**	(34,578)
Administrative expenses		**(33,982)**	(35,392)
Other operating income, net		**3,691**	15,894
Fair value change/write-back of deficits on revaluation of properties		**2,218**	—
Finance costs	5	**(459)**	(250)
Share of profits and losses of associates		**(2,351)**	(1,432)
Profit/(loss) before tax	6	**(2,225)**	9,315
Tax	7	**—**	—
Profit/(loss) for the period		**(2,225)**	9,315
Profit/(loss) attributable to:			
Equity holders of the Company		**552**	8,941
Minority interests		**(2,777)**	374
		(2,225)	9,315
Earnings per share attributable to ordinary equity holders of the Company	8		
– Basic		**0.03 cents**	0.54 cents
– Diluted		**N/A**	N/A
Dividend per share	9	**Nil**	Nil

The notes on pages 6 to 15 form part of this interim financial report.

Condensed consolidated balance sheet

As at 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	Notes	**30 June 2006 (Unaudited) $'000**	31 December 2005 (Audited) $'000
Non-current assets			
Property, plant and equipment		**77,018**	80,326
Investment properties		**112,700**	109,700
Prepaid land premiums		**3,101**	3,140
Goodwill		**6,610**	6,610
Interests in associates		**20,461**	17,348
Interests in jointly-controlled entities		**—**	—
Available-for-sale equity investments	10	**35,503**	35,503
Total non-current assets		**255,393**	252,627
Current assets			
Inventories		**35,831**	34,920
Trade receivables	11	**5,428**	7,105
Prepayments, deposits and other receivables		**38,501**	37,407
Prepaid land premiums		**77**	77
Equity investments at fair value through profit or loss		**156,553**	148,736
Pledged deposits		**342**	342
Time deposits		**488,473**	515,379
Cash and bank balances		**32,251**	29,246
Total current assets		**757,456**	773,212
Current liabilities			
Trade and other payables	12	**48,911**	55,270
Interest-bearing bank and other borrowings		**91**	3,978
Current portion of debentures	13	**2,816**	1,684
Other loans		**5,230**	5,230
Tax payable		**5,497**	5,497
Total current liabilities		**62,545**	71,659
Net current assets		**694,911**	701,553
Total assets less current liabilities – page 3		**950,304**	954,180

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	Notes	**30 June 2006 *(Unaudited)* *$'000***	31 December 2005 *(Audited)* *$'000*
Total assets less current liabilities – page 2		**950,304**	954,180
Non-current liabilities			
Debentures	13	**5,435**	6,673
Interest-bearing bank and other borrowings		**251**	297
Deferred revenue		**26,356**	27,868
Total non-current liabilities		**32,042**	34,838
Net assets		**918,262**	919,342
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	15	**16,507**	16,507
Reserves	16	**873,125**	871,428
		889,632	887,935
Minority interests	16	**28,630**	31,407
Total equity		**918,262**	919,342

The notes on pages 6 to 15 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June 2006	2005
		(Unaudited)	(Unaudited)
		$'000	$'000
Total equity at 1 January		**919,342**	901,548
Changes in equity during the period:			
Exchange differences on translating the financial statements of foreign operations	16	**1,145**	(51)
Net gains and losses recognised directly in equity		**1,145**	(51)
Profit/(loss) for the period	16	**(2,225)**	9,315
Total recognised income and expense for the period		**(1,080)**	9,264
Total equity at 30 June		**918,262**	910,812
Total recognised income and expense for the period attributable to:			
Equity holders of the Company		**1,697**	8,890
Minority interests		**(2,777)**	374
		(1,080)	9,264

The notes on pages 6 to 15 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2006	2005
	(Unaudited)	*(Unaudited)*
	$'000	*$'000*
Net cash outflow from operating activities	**(7,003)**	(14,669)
Net cash outflow from investing activities	**(31,730)**	(442,402)
Net cash inflow/(outflow) from financing activities	**(4,393)**	135
Net decrease in cash and cash equivalents	**(43,126)**	(456,936)
Cash and cash equivalents at beginning of period	**126,829**	581,007
Effect of foreign exchange rate changes, net	**4**	4
Cash and cash equivalents at end of period	**83,707**	124,075
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**32,251**	24,581
Non-pledged time deposits with original maturity of less than three months when acquired	**51,456**	99,494
	83,707	124,075

The notes on pages 6 to 15 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION AND IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 31 December 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

There was no material impact on the basis of preparation of the unaudited condensed consolidated interim financial statements arising from the adoption of the above-mentioned new and revised accounting standards.

2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, which have been issued but not yet effective, in these interim financial statements:

HKAS 1 Amendment	Capital Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

The adoption of HKAS 21 Amendment and HK(IFRIC)-Int 7 will not have any significant impact on the Group.

3 REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue and results by business segment and an analysis of the Group's revenue by geographical segment are as follows:

(a) Business segments

	Group revenue		Contribution to profit/(loss)	
	Six months ended 30 June		Six months ended 30 June	
	2006	2005	**2006**	2005
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	$'000	*$'000*	***$'000***	*$'000*
Wholesale and retail of fashion wear and accessories	**76,577**	92,620	**(6,973)**	1,164
Telecommunications services	**1,595**	2,976	**(998)**	5,493
Resort and recreational club operations	**9,939**	8,848	**(56)**	(1,129)
Investments and treasury	**14,377**	8,884	**7,845**	6,559
	102,488	113,328	**(182)**	12,087
Unallocated gains and expenses, net			**(1,451)**	(1,090)
Fair value change/write-back of deficits on revaluation of				
– Investment properties			**1,981**	—
– Resort and recreational club properties			**237**	—
Finance costs			**(459)**	(250)
Share of profits and losses of associates			**(2,351)**	(1,432)
Tax			**—**	—
			(2,225)	9,315

(b) Geographical segments

	Group revenue	
	Six months ended 30 June	
	2006	2005
	(Unaudited)	*(Unaudited)*
	$'000	*$'000*
Hong Kong	**100,845**	110,312
Mainland China	**1,639**	2,152
Other Asia Pacific regions	**4**	807
European Union	**—**	54
Others	**—**	3
	102,488	113,328

4 OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	*(Unaudited)*
	$'000	*$'000*
Sub-leasing rental income	**28**	502
Management fees	**1,279**	1,599
Others	**328**	1,351
	1,635	3,452

5 FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	(Unaudited)	*(Unaudited)*
	$'000	*$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**273**	250
Interest on a finance lease	**7**	—
Accretion of interest on debentures	**179**	—
	459	250

6 PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax was determined after charging/(crediting):

	Six months ended 30 June	
	2006	2005
	(Unaudited)	*(Unaudited)*
	$'000	*$'000*
Cost of inventories sold	**42,053**	50,197
Amortisation of prepaid land premiums	**39**	39
Depreciation	**4,046**	3,718
Dividend income	**(1,653)**	(1,264)
Interest income	**(11,764)**	(7,619)
Exchange gains, net	**(2,555)**	(3,099)
Gain on disposal of items of property, plant and equipment	**(26)**	(31)
Fair value change/write-back of deficits on revaluation of properties	**(2,218)**	—
Net fair value gains on equity investments at fair value through profit or loss	**(1,276)**	(4,752)

7 TAX

No provision for Hong Kong profits tax and overseas income tax has been made in the condensed consolidated income statement for the six months ended 30 June 2006 as the Company and its subsidiaries either did not generate any assessable profits for the period or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (Six months ended 30 June 2005: Nil).

No provision for deferred tax liabilities has been made as at 30 June 2006 as the Company and its subsidiaries had tax losses brought forward which were sufficient to offset the taxable temporary differences at that date. Deferred tax assets have not been recognised in respect of these tax losses as they arose in subsidiaries that have either been loss-making for some time or whose availability of future taxable profits is unpredictable.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of $552,000 (Six months ended 30 June 2005: $8,941,000) and the weighted average of 1,650,658,676 (Six months ended 30 June 2005: 1,650,658,676) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share for both periods have not been disclosed as no diluting events existed during these periods.

9 DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders in respect of the six months ended 30 June 2006 (Six months ended 30 June 2005: Nil).

10 AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	30 June 2006 *(Unaudited)* *$'000*	31 December 2005 *(Audited)* *$'000*
Overseas listed equity investments, at fair value	**125**	125
Unlisted equity investments, at cost, less impairment losses	**35,378**	35,378
	35,503	35,503

Available-for-sale equity investments consist of investments in listed and unlisted shares and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The unlisted equity investments are carried at cost, less any impairment losses, since their fair values cannot be measured reliably. Such investments are non-derivative and mainly represent investments in the shares of entities principally involved in medical drug development, manufacturing and distribution or the provision of electronic payment and Intra-bank fund transfer services.

11 TRADE RECEIVABLES

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strengths of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

An aged analysis of the trade receivables as at 30 June 2006, based on the invoice date and net of provisions, is as follows:

	30 June 2006 *(Unaudited)* *$'000*	31 December 2005 *(Audited)* *$'000*
Within 1 month	**2,871**	4,347
2 to 3 months	**216**	232
Over 3 months	**2,341**	2,526
	5,428	7,105

12 TRADE AND OTHER PAYABLES

All trade and other payables of the Group are unsecured, interest-free and repayable within one month or on demand.

13 DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") operated by a subsidiary of the Group, Hill Top Country Club Limited, subject to the rules and by-laws of the Club so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from payment of a monthly subscription. An analysis of the Group's debentures carried at amortised costs, based on the redeemable period, as at 30 June 2006, is as follows:

	30 June 2006	31 December 2005
	(Unaudited)	*(Audited)*
	$'000	*$'000*
Within one year	**2,816**	1,684
In the second year	**2,516**	3,873
In the third to fifth year, inclusive	**2,919**	2,800
	5,435	6,673
	8,251	8,357

All redeemable debentures are denominated in Hong Kong dollars, interest-free and may be renewed upon maturity subject to the Group's consent.

The carrying amounts of the redeemable debentures approximate to their fair values.

14 SHARE OPTIONS

At 30 June 2006, the outstanding share options were as follows:

Date of grant	**Exercise price**	**Number of share options outstanding at 30 June 2006**
1 December 1999	$1.804	48,000
1 August 2000	$0.630	276,000
		324,000

These share options are exercisable before 29 December 2007.

At 30 June 2006, the Company had 324,000 share options outstanding under the share options schemes operated by the Company. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 324,000 additional ordinary shares of the Company and additional share capital of $3,240 and share premium of $257,232 (before issue expenses).

15 SHARE CAPITAL

	30 June 2006	31 December 2005
	(Unaudited)	*(Audited)*
	$'000	*$'000*
Authorised:		
100,000,000,000 (31 December 2005: 100,000,000,000) ordinary shares of $0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
1,650,658,676 (31 December 2005: 1,650,658,676) ordinary shares of $0.01 each	**16,507**	16,507

In 2002, the Company underwent a capital reorganisation scheme, details of which are set out in note 31 to the Company's statutory financial statements for the year ended 31 December 2005.

16 RESERVES

	Attributable to equity holders of the Company							
	Share premium account	**Capital redemption reserve**	**Special reserve**	**Exchange reserve**	**Revaluation reserve**	**Accumulated losses**	**Total**	**Minority interests**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2005	1,189,721	478	808,822	1,804	1,382	(1,143,348)	858,859	26,182
Exchange realignment	—	—	—	(51)	—	—	(51)	—
Profit for the period	—	—	—	—	—	8,941	8,941	374
At 30 June 2005	1,189,721	478	808,822	1,753	1,382	(1,134,407)	867,749	26,556
At 1 January 2006	1,189,721	478	808,822	1,718	3,114	(1,132,425)	871,428	31,407
Exchange realignment	—	—	—	1,145	—	—	1,145	—
Profit/(loss) for the period	—	—	—	—	—	552	552	(2,777)
At 30 June 2006	**1,189,721**	**478**	**808,822**	**2,863**	**3,114**	**(1,131,873)**	**873,125**	**28,630**

17 CONTINGENT LIABILITIES

At 30 June 2006, the Company or the Group had the following significant contingent liabilities:

(a) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of $2,748,000 (31 December 2005: $2,627,000) as at 30 June 2006. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

(b) One of the telecommunications content providers of a subsidiary issued a letter through its solicitors in March 2002 claiming damages of US$1,500,000 (equivalent to HK$11,670,000) from that subsidiary in relation to rate changes applied by that subsidiary for services delivered by the content provider. The claimant also disputed traffic volumes generated in the past and claims to have been underpaid by at least US$2,736,000 (equivalent to HK$21,286,000).

Management has studied the allegations raised and sought legal advice on the subsidiary's legal rights and liabilities. Upon advice, the subsidiary has sought to refute most of the allegations and made a counterclaim of approximately US$6,215,000 (equivalent to HK$48,353,000) in September 2002 for the return of sums advanced on account to the content provider due to uncollectibles, discrepancies arising on reconciliation of traffic volumes and other related items. Thereafter, there has been no communication in respect of the mentioned claims between the subsidiary and the content provider.

In view of the above, management considers it unlikely that any loss will arise, and accordingly, no provision has been made in the financial statements.

(c) The Company executed corporate guarantees as part of the security for general banking facilities granted to certain subsidiaries to the extent of $342,000 (31 December 2005: $342,000).

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group's material transactions with related parties during the period were as follows:

	Notes	Six months ended 30 June 2006 (Unaudited) $'000	2005 (Unaudited) $'000
Management fee income from an associate	(i)	—	840
Consultancy fees paid to a company in which the spouse of a director of a subsidiary of the Group has a controlling interest	(ii)	—	708
Rental expenses and building management fees paid to a related company	(iii)	**874**	728

Notes:

(i) The management fee income received from an associate arose from the provision of shop management services to the associate in accordance with the agreements between the Group and the associate.

(ii) The consultancy services provided to a subsidiary of the Group were charged at $118,000 per month up to 30 June 2005 in accordance with the agreement between the subsidiary and the related company.

(iii) The rental expenses and building management fees paid to a company controlled by a substantial shareholder of the Company were determined by reference to relevant industry practice of which an amount of rental expenses paid of $728,000 (Six months ended 30 June 2005: $243,000) constitutes a continuing connected transaction as defined under the Listing Rules. Details of which are disclosed under the paragraph headed "Connected Transaction" on page 20.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June 2006 (Unaudited) $'000	2005 (Unaudited) $'000
Short term employee benefits	**5,775**	7,042
Post-employment benefits	**92**	102
Total compensation paid to key management personnel	**5,867**	7,144

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets and liabilities mainly comprise interest-bearing bank and other borrowings, trade receivables and payables, and cash and bank balances, and are, in the normal course of business, exposed to foreign currency risk, interest rate risk and credit risk. The Group's risk management strategy aims to minimise the adverse effects of financial risks on the financial performance of the Group and the board reviews and agrees policies, as summarised below, for managing each of these risks. It is the Group's policy that financial instruments, if any, are only used to hedge underlying commercial exposures and are not held or sold for speculative purposes.

(a) Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from its purchases of fashion wear and accessories in foreign currencies.

The Group does not currently have any hedge arrangement for the elimination of the foreign currency risk exposures and will continue to monitor such exposures and market conditions to determine if any hedging is required in the future.

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings.

As the Group is due to fully settle its interest-bearing bank borrowings in the coming year and the corresponding interest rate risk is not expected to be significant, the Group has not used any interest rate swap to hedge its exposure to interest rate risk.

(c) Credit risk

The Group only allows minimal credit sales to its long term customers with good settlement histories and has no significant concentration of credit risk. The Group's credit risk is effectively mitigated by its combination of cash and credit card sales.

20 APPROVAL OF INTERIM FINANCIAL REPORT

The unaudited interim financial report was approved and authorised for issue by the board of directors on 20 September 2006.

INDEPENDENT REVEIW REPORT

ERNST & YOUNG
安永會計師事務所

To the Board of Directors
of ENM Holdings Limited

We have been instructed by the Company to review the interim financial report set out on pages 1 to 15.

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 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group 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.

Ernst & Young
Certified Public Accountants

Hong Kong, 20 September 2006

Interim dividend

The directors do not recommend the payment of an interim dividend for the reporting period (2005: HK$Nil).

Chief executive's statement

FINANCIAL REVIEW

For the period under review, the Group reported a turnover of HK$102,488,000 (2005: HK$113,328,000) which represents a decrease of 9.6% as compared to the corresponding period in 2005. Consolidated profit attributable to equity holders of the Company amounted to HK$552,000 (2005: HK$8,941,000). Consolidated loss for the period, including minority interest, amounted to HK$2,225,000 (2005: Profit of HK$9,315,000). The minority interest comes from our non-wholly owned retail subsidiary which suffered operating loss due to relocation of retail shops and narrowing margins.

LIQUIDITY AND FINANCIAL POSITION

The Group was in solid financial position with cash and deposit holdings of HK$520,724,000 (31 December 2005: HK$544,625,000). At 30 June 2006, total borrowings amount to HK$13,823,000 (31 December 2005: HK$17,862,000) with HK$8,137,000 (31 December 2005: HK$10,892,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 1.6% at the interim period end date (31 December 2005: 2%). The current ratio at 30 June 2006 was 12.1 times (31 December 2005: 10.8 times).

At 30 June 2006, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the interim financial report. All borrowings of the Group are either interest free or on a floating rate basis.

The Group's imported purchases are mainly denominated in Euros and United States dollars. The Group will from time to time review its foreign exchange position and market conditions to determine if any hedging is required.

PLEDGE OF ASSETS

Pledges of the Group's fixed deposits of US$44,000 (31 December 2005: US$44,000) were given to banks to secure general banking facilities to the extent of US$44,000 as at 30 June 2006 (31 December 2005: US$44,000).

EMPLOYEE AND REMUNERATION POLICIES

At the date of this report, the Group employs a total of 268 full time staff with its main workforce stationed in the Group's offices in Hong Kong. The Group's remuneration policies are performance based and are in line with the salary trends in the respective locations. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus, external training support, and a performance based share option scheme.

BUSINESS REVIEW

Resort and Recreational Club Operations

VivaSha Club Resort ("VivaSha")

VivaSha, comprised of a 4-star Hotel Building with 320 rooms, a Clubhouse Building and an International Convention Centre, had its soft opening at the end of March 2006. Club management had organized different kinds of events, including international conferences, wedding receptions, conventions, product seminars, etc., to test and smooth out the daily operation of the club. Management was satisfied with the operating performance of the club during the past few months.

Based on the high occupancy and average room rate in hotels in Shanghai in the first half of 2006 and the coming peak season for conventions and exhibitions, Management believes the performance of VivaSha this year should be satisfactory.

Hong Kong Hilltop Country Club ("Hilltop")

Hilltop achieved a turnover 15% over the same period last year. It is primarily due to increased revenue from lodging. Food and beverage remained satisfactory.

Given the improvement of tourism and conference activities, Management expects continuous improvement for the remainder of the year.

Telecommunications & Technologies

SinoPay.com Holdings Limited ("SinoPay")

SinoPay's main business is providing B2C electronic payment and Intra-bank fund transfer solution services in China through its Joint Venture, Chinapay e-Payment Service Ltd ("the JV") in Shanghai, with China UnionPay.

The proposed merger between Chinapay e-Payment Service Ltd and Easylink, a counterpart of the JV in Guangdong controlled by China UnionPay at present for higher operating efficiency and market share, is in progress. Management believes that the merger between the two companies is highly synergistic and should result in significant improvement in the performance of the JV. The merger is targeted to be completed in 2006.

Beijing Smartdot Technologies Co. Ltd. ("Smartdot")

Smartdot is engaged in the development of software and solution projects in China. Its core businesses are e-government projects and office automation.

During the first six months of 2006, Smartdot recorded a steady growth on its turnover by 14% increase to RMB23,290,000. The business of distributing WBCR, an IBM software product for business flow and control management, is at its initial stage and is targeted to have contribution to Smartdot's income soon. In addition, due to standard industry practice, most of the new contracts and projects will be signed and started during the second half of the year; therefore, Management believes that the growth on its full year revenue will be satisfactory.

Wireless Network Card Business

Shanghai ENM Telecom & Technology Limited has developed solid business collaborations with China Mobile and China Unicom to market mobile internet access services in Shanghai. The wireless internet access market is growing steadily in China because more customers are recognizing the benefits this service brings. Management continues to look for opportunities to promote other telecommunication products with telecom operators under the similar cooperation model with China Unicom.

Retail Fashion

The Swank Shop Limited ("Swank")

The first half of 2006 saw the closure of a number of shops, including shops in New World Centre, Ocean Centre and Mitsukoshi Department Store, due to natural expiration of leases, resulting in a decrease of revenue.

Our new shops in IFC however showed an improved result compared with the same period last year. The opening of Swank Men's boutique and Givenchy boutique in Ocean Centre in this summer, together with the relocation of Swank Men's in Pacific Place in September to a larger space accommodating a ladies section as well, substantially improve our retail/distribution system.

Bio-Medical

Genovate Biotechnology Company Limited ("Genovate")

Genovate (founded in Taiwan in 1993 by Genelabs Technologies, Inc. of the USA) is a fully integrated pharmaceutical company, encompassing in its operation: new drug development and new formulation capability, clinical trials for local and international pharmaceutical companies, drug manufacturing, drug marketing and distribution in Taiwan.

In 2006, Urotrol continuously penetrated the urinary incontinence market with good recommendation from both doctors and patients. More and more doctors are prescribing Urotol, due to less incidence of the dry mouth side effect. On the other hand, sales for Glusafe are maturing due to intense market competition. Diabetrol SR, Genovate's other once-a-day antidiabetic drug has received positive market acceptance. As several medical centres have started to prescribe Diabetrol SR, sales are expected to grow significantly in 2006.

With regard to new drug discovery, Genovate has initiated two programs in collaboration with the government research institute ITRI. One is antigout NCE and the other is an antivomiting patch. Genovate's product pipeline will be further strengthened after these two products reach clinical development.

In May 2006, Genovate and Ocean Bright Co., Ltd. ("Ocean Bright") (Stock no 3266) jointly announced a merger plan under which 1.7 shares of Genovate will exchange for 1 newly issued share of Ocean Bright. After the merger, the existing shareholders of Genovate will hold approximately 66% of the merged company. The merger plan was approved by both companies' shareholders in June 2006. The merger, however, is subject to approval of the Taiwan GreTai Securities Market.

Ocean Bright is a major pharmaceutical products distributor in Taiwan and a long working partner of Genovate. The Board of Genovate believes that the merger will provide synergy by combining the distribution strength of Ocean Bright and the research & development capability of Genovate such that the merged company will become more competitive in the Taiwan pharmaceutical market.

Connected transaction

On 28 April 2005, the Company entered into a tenancy agreement with Hollywood Palace Company Limited, a company controlled by a substantial shareholder in respect of the renewal of leases of Suites 1502 and 1521 on 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon for a term of two years commencing on 1 May 2005 at a monthly rent of HK$145,620 with a four months rent-free period over the lease term.

Audit committee

The Company has an audit committee which was established pursuant to the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises of one non-executive director and three independent non-executive directors of the Company. The interim financial report for the six months ended 30 June 2006 has been reviewed by the Audit Committee.

Remuneration committee

The Company has a remuneration committee which was established pursuant to the requirements of the Listing Rules. The remuneration committee comprises of two independent non-executive directors namely Dr Cecil Sze Tsung CHAO and Mr. Ian Grant ROBINSON and one executive director namely Mr. Joseph Wing Kong LEUNG.

Directors' interests in shares

At 30 June 2006, the interest of a director in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, was as follows:

Long position in ordinary shares of HK$0.01 each of the Company:

Name of director	Number of shares held through a controlled corporation	Percentage of the Company's issued share capital
Joseph Wing Kong LEUNG	200,000	0.012%

Save as disclosed above, as at 30 June 2006, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of 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 Issuers.

Share option scheme

In an Extraordinary General Meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the termination of the share option scheme adopted on 30 December 1997 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"), in compliance with the amended Chapter 17 of the Listing Rules and for the purpose of providing the Company with flexible means of providing incentives and rewards to executive directors and employees for their contribution to the Group. A summary of the principal terms of the New Scheme was sent to the shareholders of the Company in a circular dated 28 May 2002. All new options shall be granted under the terms and conditions of the New Scheme. No options have yet been granted under the New Scheme.

All outstanding options granted under the Old Scheme shall remain valid and exercisable under the provisions of the Old Scheme.

Details of the outstanding share options as at 30 June 2006 were as follows:

	Number of options outstanding at the beginning of the period	Number of options lapsed during the period	Number of options outstanding at the period end	Date granted	Price per share on exercise of options
Granted under the Old Scheme:					
Employees	336,000	12,000	324,000	1 December 1999 to 1 August 2000	HK$0.63 to HK$1.804

Share options under the Old Scheme are exercisable before 29 December 2007.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders' interests in shares

At 30 June 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of HK$0.01 each of the Company:

Name	Direct interests	Indirect interests	Number of shares held	Percentage of the Company's issued share capital
Diamond Leaf Limited	162,216,503	—	162,216,503	9.8%
Solution Bridge Limited	408,757,642	—	408,757,642	24.8%
Ms Nina KUNG *(Note)*	—	570,974,145	570,974,145	34.6%

Note: The interest disclosed under Ms Nina KUNG represents her deemed interests in the shares of the Company by virtue of her interests in Diamond Leaf Limited and Solution Bridge Limited.

Save as disclosed above, as at 30 June 2006, no person had registered an interest in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company are aware of any information that would reasonably indicate that the Company is not or was not for any part of the six months ended 30 June 2006 in compliance with the Code Provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the deviations in respect of the service term and rotation of directors under Code Provisions A.4.1 and A.4.2 of the CG Code.

Under Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive and independent non-executive directors of the Company is appointed for a specific term. However, all of the non-executive and independent non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

Under Code Provision A.4.2 of the CG Code, all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In order to comply with the Code Provision A.4.2 of the CG Code, relevant amendments to the Articles of Association of the Company were proposed and approved by the shareholders at the Annual General Meeting of the Company held on 2 June 2006. Code Provision A.4.2 of the CG Code has been fully complied with thereafter.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2006.

BOARD OF DIRECTORS

As at the date of this report, the executive directors of the Company are Mr. Joseph Wing Kong LEUNG (Chairman), Mr. James C. NG (Chief Executive Officer), Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG; the non-executive director of the Company is Mr. Raymond Wai Pun LAU; and the independent non-executive directors of the Company are Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN and Mr. Ian Grant ROBINSON.

By order of the Board
James C. Ng
Chief Executive

Hong Kong, 20 September 2006