



信寶國際控股有限公司

Honesty Treasure International Holdings Ltd

Stock Code : 600

Interim Report

2007

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

LAW Kar Po	<i>(Chairman)</i>
HOI Man Pak	<i>(Vice Chairman)</i>
CHOY Wang Kong	<i>(Chief Executive Officer)</i>
YONG Wing Tai, William	
CHIANG Kin Tong	
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 [#]
LI Kam Fai, Dominic [#]

([#] Members of Audit Committee)

COMPANY SECRETARY

LAW Chun Choi

SOLICITORS

On Hong Kong Law
Iu, Lai & Li Solicitors
Hastings & Co.
Chiu & Partners

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

Tricor Standard Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

BANKERS

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

The board of directors (the “Board”) of Honesty Treasure International Holdings Limited (the “Company”) is pleased to present the Interim Report with the condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007. 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 2007, and the consolidated balance sheet of the Group as at 30 June 2007, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 30 of this Report.

During the period under review, with an optimistic view on the future properties market, the Board has determined to invest in the PRC property market. Further information is provided in the relevant sections below.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Through the disciplined execution of strategy of the board of directors (the “Board”) and the Senior Management of the Group, we have delivered another set of strong results in the six months ended 30 June 2007. The profit attributable to shareholders for the period from 1 January 2007 to 30 June 2007 was HK\$24.3 million, compared with HK\$24.2 million for the first six months of 2006.

The turnover of the Group for the period under review was increased by 15% as compared with the same period in 2006.

Macau Projects

Hotel and entertainment business

For the period under review, the Group has continued generating excellent returns through its associate, Hotel Golden Dragon (Macao) Company Limited (“Hotel Golden Dragon”). The share of results during the period under review was HK\$37.6 million, whereas the amount for the corresponding period was HK\$45.0 million. The opening of the luxurious hotels and the world’s top class casinos, though contributed to the massive increase of the gambling income for Macau, did make the market overwhelmed with competitions especially for those well established casinos. The Group’s income generated by the hotel rooms, food and beverages, has shown a steady increase during the period under review.

Properties development and investment

1. *Edificio Chu Kuan Mansion, Macau (澳門珠江大廈)*

A complex square with building towers for offices, apartments, shops and car parking spaces targeted at high end market. As announced on 27 March 2007, the Group would have a gain of approximately HK\$4.3 million upon completion of the disposal of 24 residential units. As at 30 June 2007, the Group held 62 residential units and 58 car parking spaces as the Group is looking for greater returns from the surging demands of good quality apartments in Macau. The remaining units are expected to be disposed in late 2007 or early 2008.

2. *Tap Siac, Macau (澳門塔石街)*

This is a single seven-storey building located at Horta E Costa and Conselheiro Ferreira de Almeida. The original proposed renovation work has been suspended following the Board's intention to consider the possibility of re-developing the site with a different plot ratio. The latest plan is to resume the renovation work in the 4th quarter of 2007 aiming at completing the project in early 2008.

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

The construction site is located at Lote TN6, Cheok Ka Chun, Taipa, where the population density is low and occupied with middle class residential properties. The site was being leveled for development and it was intended to develop into a high storey and luxurious residential apartment with a shopping arcade. However, the Board would not rule out the possibility to dispose the property should there be opportunities which can bring the best interest to the Group.

PRC Projects

Properties development and investment

The whole world keeps its eyes wild open on the PRC market, as well as the Group. We have been locating great investment opportunities for property development in the region and have taken substantial steps to maximize shareholder value.

1. *Shenyang Project*

On 28 August 2007, the Group announced the acquisition of a 70% interest in a site with an area of 75,000 sq.m. located in Shenyang, via the acquisition of the entire share capital in Central Bingo Group Limited. The remaining 30% is held by Pan-China Construction Group Limited, a state-owned enterprise specializing in town planning, redevelopment and construction work. The site is situated at Hunnan New District, which is close to the Olympic Station of Metro Line 2. The Group is planning to develop the site into a composite commercial district comprising offices, hotels, residential and apartments with a total GFA of 470,000 sq.m. The target completion date is between 2009 and 2010.

2. *Baotou Project*

The Group was pleased to announce on 3 September 2007 that a non-legally binding MOU was entered into between the Group and a real estate development company in PRC with the respective interest of 51% and 49%. The joint venture plans to develop a site located at Baotou Aerding Square West for an estimated investment cost of US\$100 million. The site has an area of 25,200 sq.m. and is planned to be developed into a hotel, commercial and residential complex with a GFA of 221,200 sq.m. The total investment cost of the joint venture will be approximately HK\$780 million.

Leather trading

The Group's turnover from the leather trading amounted to HK\$30.5 million approximately, a decrease of 10.8% compared to HK\$34.2 million in the corresponding period last year. The leather trading market is still in rigorous competition and the Board is considering to streamline the business at due course.

Outlook

The Group has been penetrating into the booming PRC's property market and we are very optimistic towards the future development of this market in the top second tier PRC cities where property prices have been increased by double digits in 2007. In 2007, there were about seven Hong Kong listed groups invested in the property market in Shenyang with a total GFA of exceeding 10 million sq.m. With the continued improving of the disposable income of the PRC citizens, people are looking for higher living standard thereby driving the demand for better quality housing. As the supply of properties in the top second tier PRC cities still falls short of the demand, property prices increased by 20-25% per annum. We believe that the project investment in Shenyang will be a major profit contributor to the Group in the coming years, not only due to the booming property market, but also the potential appreciation of the RMB.

We will maintain our focus on the property market in the PRC's second tier cities and are looking for increasing the land bank in the PRC. We are confident that we can continue to build on our track record of strong performance and we are optimistic about the future.

HUMAN RESOURCES

We are committed to looking after the competitiveness of all staff. To ensure the best performance and cultivate teamwork of them, we have designed on job trainings and various recreational activities. The Group has 30 full-time staff in Hong Kong and Macau as at 30 June 2007 and the Group remunerates its employees based on their performance, experience and prevailing industry practice.

FINANCIAL REVIEW

Liquidity and Financial Resources

The financial position of the Group remains healthy with underlying gearing of 64% at 30 June 2007. During the first half of 2007, the Group's equity attributable to equity holders of the Company was approximately HK\$794 million, an increase of 7.3% over last year end which was approximately HK\$740 million. The net current liabilities as at 30 June 2007 was approximately HK\$273 million (31 December 2006: approximately HK\$296 million) while the cash and bank balances as at 30 June 2007 was approximately HK\$74 million (31 December 2006: approximately HK\$35 million).

Charge on Assets

The properties under development with a carrying value of approximately HK\$396 million as at 30 June 2007 (31 December 2006: approximately HK\$389 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, hence 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' INTEREST IN SECURITIES

As at the 30 June 2007, 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 corporations (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 were taken or deemed to have under such provisions of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to Section 352 of SFO, to be recorded 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 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. Law Kar Po	Beneficial owner	368,312,000	12.21
Mr. Yong Wing Tai, William	Beneficial owner	770,000	0.03
Mr. Choy Wang Kong	Beneficial owner	175,551,440	5.82
Mr. Hoi Man Pak	Beneficial owner	101,640,600	3.37
	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 ("2009 Warrants") of the Company*

Name of Director	Capacity	Number of underlying Shares (in respect of the 2009 Warrants) held	% to the issued share capital of the Company
Mr. Law Kar Po	Beneficial owner	35,852,200	1.19
Mr. Hoi Man Pak	Beneficial owner	8,497,660	0.28
	Interest of spouse (<i>Note</i>)	13,600	0.01
Mr. Choy Wang Kong	Beneficial owner	6,346,944	0.21

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

2009 Warrants entitle the holders to subscribe for new Shares at an initial subscription 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 (%) to the issued share capital of the Company
Mr. Hoi Man Pak	Beneficial owner	13,664,137	92,325,250 (3.06)

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 2.5% fixed interest convertible redeemable bonds ("CBs") of the Company

Name of Director	Capacity	Amount of CBs HK\$	Number of underlying Shares and (%) to the issued share capital of the Company
Mr. Law Kar Po	Beneficial owner	65,000,000	216,666,666 (7.18)

Holders of the CBs are entitled to elect to convert the CBs into Shares at the conversion price of HK\$0.30 per Share (subject to adjustment) until 23 August 2012.

Save as disclosed above, as at 30 June 2007, 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 associate corporation (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 2007, so far as is known to the Directors or 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 of the Company 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
Mr. Chiang Pedro	Beneficial owner (Note 1)	153,640,520	5.08
Ms. Leong Lai Heng	Interest of spouse (Note 1)	153,640,520	5.08
Ms. Wong Sao Lai	Beneficial owner	136,000	0.01
	Interest of spouse (Note 2)	101,640,600	3.37

Notes:

- (1) Mr. Chiang Pedro is the spouse of Ms. Leong Lai Heng and each of them is deemed to be interested in Shares held by the other.
- (2) Mr Hoi Man Pak is the spouse of Ms. Wong Sai Lai and each of them is deemed to be interested in Shares held by the other.

(b) Long position in the underlying Shares

Name of shareholder	Capacity	Number of Shares	% to the issued share capital of the Company
Mr. Chiang Pedro	Beneficial owner (Note 1)	261,564,748	8.67
	Interest of spouse (Notes 2 & 3)	30,775,088	1.02
Ms. Leong Lai Heng	Beneficial owner (Note 3)	30,775,088	1.02
	Interest of spouse (Notes 1 & 2)	261,564,748	8.67
Ms. Wong Sao Lai	Beneficial owner (Note 4)	13,600	0.01
	Interest of spouse (Notes 1 & 5)	100,822,910	3.34
Mr. Wu Ka I, Miguel	Beneficial owner (Note 6)	134,281,801	4.45

Notes:

- (1) These underlying Shares are 2009 Warrants and CNs.
- (2) Ms. Leong Lai Heng is the spouse of Mr. Chiang Pedro and each of them is deemed to be interested in the other's underlying Shares.
- (3) These underlying Shares are CNs.
- (4) These underlying Shares are 2009 Warrants.
- (5) Mr. Hoi Man Pak is the spouse of Ms. Wong Sao Lai and each of them is deemed to be interested in the other's underlying Shares.
- (6) These underlying Shares are 2009 Warrants, CNs and CBs.

Save as disclosed above, as at 30 June 2007, 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 record in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalizing best practices.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period covered by the interim report, 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 and 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 2007.

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 2007. In addition, the condensed consolidated financial statements of the Company for the six months ended 30 June 2007 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

LAW Kar Po
Chairman

Hong Kong, 21 September 2007

**CCIF****CCIF CPA LIMITED**20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

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

INTRODUCTION

We have reviewed the interim financial statements set out on pages 11 to 30 which comprise the consolidated balance sheet of Honesty Treasure International Holdings Limited as of 30 June 2007 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not give a true and fair view of the financial position of the Company as at 30 June 2007, and of its financial performance and its cash flows for the six-month period then ended in accordance with Hong Kong Accounting Standard 34.

CCIF CPA Limited*Certified Public Accountants*

Hong Kong, 21 September 2007

Betty P.C. Tse

Practising Certificate Number P03024

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		(Unaudited)	
		Six months ended 30 June	
	Note	2007 HK\$'000	2006 HK\$'000
CONTINUING OPERATIONS			
Turnover	3	39,966	34,771
Cost of sales		(30,600)	(26,179)
Gross profit		9,366	8,592
Other revenue	4	1,377	1,779
General and administrative expenses		(17,204)	(18,454)
Selling and distribution costs		(1,332)	(1,690)
		(18,536)	(20,144)
Loss from operations		(7,793)	(9,773)
Loss on disposal of property, plant and equipment		–	(536)
Finance costs	6	(5,560)	(1,027)
Share of results of associates		37,664	45,015
		32,104	43,452
Profit before taxation	7(a)	24,311	33,679
Taxation	8	–	–
Profit from continuing operations		24,311	33,679
DISCONTINUED OPERATIONS	9		
Loss from discontinued operations	7(b)	–	(9,476)
PROFIT FOR THE PERIOD		24,311	24,203

UNAUDITED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30 June 2007

	Note	(Unaudited)	
		Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
ATTRIBUTABLE TO:			
– Equity holders of the Company		24,304	24,189
– Minority interests		7	14
		24,311	24,203
		HK cents	HK cents
EARNINGS PER SHARE			
	10		
– Basic			
From continuing and discontinued operations		0.86	0.92
From continuing operations		0.86	1.28
– Diluted			
From continuing and discontinued operations		0.71	0.87
From continuing operations		0.71	1.21

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Note	(Unaudited) 30/6/2007 HK\$'000	(Audited) 31/12/2006 HK\$'000
NON-CURRENT ASSETS			
Investment property		61,114	61,114
Property, plant and equipment	12	5,405	5,956
Properties under development	13	395,691	389,267
Interests in associates		665,278	657,906
		1,127,488	1,114,243
CURRENT ASSETS			
Trading securities		77	43
Inventories		6,633	7,748
Properties held for sale	14	77,658	85,662
Trade and other receivables	15	16,870	19,014
Cash and cash equivalents	16	74,421	35,495
		175,659	147,962
CURRENT LIABILITIES			
Trade and other payables	17	171,372	154,285
Bank loans	18	277,050	289,245
Obligations under finance lease		–	13
		(448,422)	(443,543)
NET CURRENT LIABILITIES		(272,763)	(295,581)
TOTAL ASSETS LESS CURRENT LIABILITIES		854,725	818,662
NON-CURRENT LIABILITIES			
Convertible notes	19	59,276	77,527
Provision for long service payments		934	934
		(60,210)	(78,461)
NET ASSETS		794,515	740,201
CAPITAL AND RESERVES			
Share capital	20	150,836	141,541
Reserves		643,399	598,387
Total equity attributable to equity holders of the Company		794,235	739,928
Minority interests		280	273
TOTAL EQUITY		794,515	740,201

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	(Unaudited)									
	Attributable to equity holders of the Company									
	Issued capital	Share premium	Capital redemption reserve	Convertible notes equity reserve	Exchange reserve	Warrant reserve	Retained profits	Total	Minority interest	Total equity
At 1 January 2007	141,541	414,398	69	17,119	(742)	4,950	162,593	739,928	273	740,201
Issue of ordinary shares upon exercise of unlisted warrants	1,600	9,984	-	-	-	(704)	-	10,880	-	10,880
Issue of ordinary shares upon exercise of listed warrants	1	2	-	-	-	-	-	3	-	3
Issue of ordinary shares upon conversion of convertible notes	7,694	15,080	-	(4,280)	-	-	-	18,494	-	18,494
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	-	626	-	-	626	-	626
Profit for the period	-	-	-	-	-	-	24,304	24,304	7	24,311
At 30 June 2007	150,836	439,464	69	12,839	(116)	4,246	186,897	794,235	280	794,515

For the six months ended 30 June 2006

	(Unaudited)									
	Attributable to equity holders of the Company									
	Issued capital	Share premium	Capital redemption reserve	Convertible notes equity reserve	Exchange reserve	Warrant reserve	Retained profits	Total	Minority interest	Total equity
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 on translation of financial statements of foreign subsidiaries	-	-	-	-	(352)	-	-	(352)	-	(352)
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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Note	(Unaudited)	
		Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		15,050	(17,223)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		24,574	(309,769)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(1,319)	359,757
NET INCREASE IN CASH AND CASH EQUIVALENTS		38,305	32,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		35,395	19,517
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		621	(352)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16	74,321	51,930

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim financial report of Honesty Treasure International Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), including compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issuance on 21 September 2007.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by the Company's Audit Committee and the Company's auditors, CCIF CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. CCIF's unmodified independent review report to the board of directors is included on page 10.

The financial information relating to the financial year ended 31 December 2006 that is included in this interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The HKICPA has issued a number of amendments, new and revised HKFRSs, which term collectively HKASs and Interpretations, that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2007. Management has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007 on the basis of HKFRSs currently in issue, which management believes, do not have a significant impact on the Group's prior year financial position and results of operations.

The new and revised HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period (see note 24).

3. TURNOVER

Turnover represented sale value of goods supplied to customers (after deduction of any goods returns and trade discounts), retailing business, provision for healthcare and medical-related services, revenue from properties held for sale, gross rental income from investment properties and dividend income for the periods. The amount of each significant category of revenue recognised in turnover during the periods is analysed as follows:

	(Unaudited)	
	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
TURNOVER		
Continuing operations:		
Sale of leather products	30,455	34,201
Gross rentals from investment properties	392	–
Revenue from properties held for sale	9,119	–
Revenue from healthcare and medical-related services *	–	570
	39,966	34,771
Discontinued operations:		
Revenue from retailing business	–	9,300
	39,966	44,071

* Healthcare and medical related business were discontinued in October 2006.

4. OTHER REVENUE

	(Unaudited)	
	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Continuing operations:		
Bad debts recovered	–	5
Interest income	701	569
Gross rental income from other properties under operating leases net of outgoings	150	293
Sundry income	526	368
Gain on exchange difference	–	453
Sample sales income	–	10
Discount on acquisition of a subsidiary	–	81
	1,377	1,779
Discontinued operations:		
Interest income	–	10
Commission income	–	167
Sundry income	–	17
Gain on exchange difference	–	26
	–	220
	1,377	1,999

5. 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

	(Unaudited)						
	For the six months ended 30 June 2007						
	Continuing operations					Discontinued operations	Total
Property development and investment HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Sub-total HK\$'000	Retailing HK\$'000		HK\$'000
Revenue from external customers	9,511	30,455	–	–	39,966	N/A*	39,966
Segment results	936	(3,375)	–	–	(2,439)	N/A*	(2,439)
Unallocated operating expenses					(5,354)		(5,354)
Loss from operations					(7,793)		(7,793)
Finance costs					(5,560)		(5,560)
Share of results of associates					37,664		37,664
Profit before taxation					24,311		24,311
Taxation					–		–
Profit for the period					24,311		24,311

* Retailing business was discontinued in the year ended 31 December 2006.

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	(Unaudited)							Discontinued operations	Total
	For the six months ended 30 June 2006								
	Continuing operations								
Property development and investment HK\$'000	Trading HK\$'000	Healthcare and medical related business HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Sub-total HK\$'000	Retailing HK\$'000		HK\$'000	
Revenue from external customers	–	34,201	570	–	–	34,771	9,300	44,071	
Segment results	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	
Profit before taxation						33,679	(9,476)	24,203	
Taxation						–	–	–	
Profit/(loss) for the period						33,679	(9,476)	24,203	

6. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June 2007 HK\$'000	2006 HK\$'000
Continuing operations:		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	8,976	1,733
Interest on convertible notes	2,581	872
Finance charges on obligations under finance leases	1	10
Total borrowing costs	11,558	2,615
Less: Borrowing costs capitalised into properties under development	(5,998)	(1,588)
	5,560	1,027

7. PROFIT BEFORE TAX

Profit before tax is stated after charging:

	(Unaudited)	
	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
(a) Continuing operations:		
Staff costs (including directors' remuneration):		
– Salaries, wages and other benefits	8,033	8,780
– Retirement benefits scheme contributions	145	147
Total staff costs	8,178	8,927
Direct costs	30,600	26,179
Depreciation of property, plant and equipment	842	1,204
Loss on disposal of property, plant and equipment	–	536
(b) Discontinued operations:		
Direct costs	–	5,278
Depreciation of property, plant and equipment	–	369
Loss on disposal of:		
– Property, plant and equipment	–	739
– Inventories	–	1,744
– Subsidiaries	–	6
Loss on discontinuation of business	–	2,401

8. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the period (2006: Nil).

No provision for overseas taxation has been made as the overseas subsidiaries have no estimated assessable profit arising from their jurisdictions during the six months ended 30 June 2007 and 30 June 2006.

No provision for deferred taxation has been made in the financial statements for the current period (2006: 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.

9. DISCONTINUED OPERATIONS

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

	(Unaudited)	
	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Turnover	–	9,300
Other revenue	–	220
Expenses	–	(18,996)
Loss before taxation	–	(9,476)
Taxation	–	–
Loss for the period	–	(9,476)
Net cash used in operating activities	–	(4,026)
Net cash generated from investing activities	–	1,035
Net cash generated from financing activities	–	3,268
Total net cash inflow	–	277

10. EARNINGS PER SHARE

(a) From continuing and discontinued operations

(i) Basic earnings per share

The calculation of basic earnings per share is as follows:

	(Unaudited)	
	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Profit attributable to equity holders of the Company	24,304	24,189

Weighted average number of ordinary shares

	Number of shares	
	2007	2006
Issued ordinary shares at 1 January	2,830,825,840	2,430,822,840
Effect of issuance of shares for the placing	–	203,076,923
Issued ordinary shares upon conversion of convertible notes	5,100,796	–
Effect of unlisted warrants exercised	856,353	–
Effect of listed warrants exercised	1,671	–
Weighted average number of ordinary shares at 30 June	2,836,784,660	2,633,899,763

10. EARNINGS PER SHARE (Continued)**(a) From continuing and discontinued operations** (Continued)*(ii) Diluted earnings per share*

The diluted earnings per share for the six months ended 30 June 2007 is calculated based on the profit attributable to the equity holders of the Company of HK\$26,885,000 (2006: HK\$24,907,000) and weighted average number of shares of 3,774,479,839 (2006: 2,851,692,685), calculated as follows:

Profit attributable to equity holders of the Company (diluted)

	(Unaudited)	
	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Profit attributable to equity holders of the Company	24,304	24,189
After tax effect of effective interest on liability component of convertible notes	2,581	718
Profit attributable to equity holders of the Company (diluted)	26,885	24,907

Weighted average number of ordinary shares (diluted)

	Number of shares	
Weighted average number of ordinary shares at 30 June	2,836,784,660	2,633,899,763
Effect of unlisted warrants exercised	193,000,000	–
Effect of listed warrants exercised	283,068,882	–
Effect of conversion of convertible notes into the Company's new ordinary shares	461,626,297	217,792,922
Adjusted weighted average number of ordinary shares (diluted) at 30 June	3,774,479,839	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.

10. EARNINGS PER SHARE (Continued)**(b) From continuing operations***(i) Basic earnings per share*

The calculation of basic earnings per share is as follows:

	(Unaudited)	
	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Profit attributable to equity holders of the Company	24,304	33,665

Weighted average number of ordinary shares

	Number of shares	
	2007	2006
(same as weighted average number of ordinary shares for basic earnings per share for continuing and discontinued operations)	2,836,784,660	2,633,899,763

(ii) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2007 is calculated based on the profit attributable to the equity holders of the Company of HK\$26,885,000 (2006: HK\$34,383,000) and weighted average number of shares of 3,774,479,839 (2006: 2,851,692,685), calculated as follows:

Profit attributable to equity holders of the Company (diluted)

	(Unaudited)	
	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Profit attributable to equity holders of the Company	24,304	33,665
After tax effect of effective interest on liability component of convertible notes	2,581	718
Profit attributable to equity holders of the Company (diluted)	26,885	34,383

Weighted average number of ordinary shares (diluted)

	Number of shares	
	2007	2006
(same as weighted average number of ordinary shares for diluted earnings per share for continuing and discontinued operations)	3,774,479,839	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.

11. DIVIDENDS

The board of directors does not recommend the payments of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

	The Group <i>HK\$'000</i>
At 1 January 2006	15,723
Additions	930
Reclassified as held for disposal on sale of subsidiaries	(5,102)
Disposals	(2,999)
Depreciation charge	(2,686)
Exchange alignment	90
At 31 December 2006 and 1 January 2007	5,956
Additions	147
Disposal	(2)
Depreciation charge	(842)
Exchange alignment	146
At 30 June 2007	5,405

13. PROPERTIES UNDER DEVELOPMENT

As at 30 June 2007, properties under development amounting to HK\$395,691,000 (31 December 2006: HK\$389,267,000) was held in Macau and pledged as securities for bank loans as disclosed in note 18.

14. PROPERTIES HELD FOR SALE

As at 30 June 2007, none of properties held for sale were carried at net realisable value (31 December 2006: Nil).

15. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables with the following aging analysis as of the balance sheet date:

	(Unaudited) 30/6/2007 HK\$'000	(Audited) 31/12/2006 HK\$'000
Trade receivables		
Current or due within 30 days	3,890	4,972
31 – 60 days	1,797	543
61 – 90 days	1,383	426
Due over 90 days	396	1,058
Other receivables	7,466	6,999
	9,404	12,015
	16,870	19,014

16. CASH AND CASH EQUIVALENTS

	(Unaudited) 30/6/2007 HK\$'000	(Audited) 31/12/2006 HK\$'000
Cash and cash equivalents in the balance sheet	74,421	35,495
Less: Pledged deposits for issuance of guarantee letter for constructions	(100)	(100)
Cash and cash equivalents in the consolidated cash flow statement	74,321	35,395

17. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aging analysis as of the balance sheet date:

	(Unaudited) 30/6/2007 HK\$'000	(Audited) 31/12/2006 HK\$'000
Trade payables		
Due within 30 days or on demand	12,175	2,832
31 – 60 days	239	203
61 – 90 days	5	2
Due over 90 days	795	447
Other payables	13,214	3,484
	158,158	150,801
	171,372	154,285

18. BANK LOANS

	(Unaudited) 30/6/2007 HK\$'000	(Audited) 31/12/2006 HK\$'000
Bank loans, secured	277,050	285,260
Trust receipt loans, secured	–	3,985
	277,050	289,245

19. CONVERTIBLE NOTES

Reference was made to the announcement of the Company dated 18 June 2007, Mr. Law Kar Po, a shareholder of the Company, has given his notice to convert all of the Convertible Notes, with a total face value of HK\$22,773,565, held by him into 153,874,000 shares. This transaction was taken place on 25 June 2007.

The convertible notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible notes – equity reserve". The effective interest rate of the liability component is 7.094%.

20. SHARE CAPITAL

	(Unaudited) 30/6/2007		(Audited) 31/12/2006	
	Number of shares	HK\$'000	Number of	shares
Authorised:				
Ordinary shares of HK\$0.05 each	5,000,000,000	250,000	5,000,000,000	250,000

	<i>Note</i>	Number of shares	Amount HK\$'000
Issued and fully paid:			
Ordinary shares of HK\$0.05 each			
At 1 January 2006 (audited)		2,430,822,840	121,541
Issue of shares by a placing	<i>(a)</i>	400,000,000	20,000
Shares issued upon exercise of listed warrants	<i>(b)</i>	3,000	–
At 31 December 2006 and 1 January 2007 (audited)		2,830,825,840	141,541
Shares issued upon conversion of convertible notes	<i>(c)</i>	153,874,000	7,694
Shares issued upon exercise of unlisted warrants	<i>(d)</i>	32,000,000	1,600
Shares issued upon exercise of listed warrants	<i>(d)</i>	10,402	1
At 30 June 2007 (unaudited)		3,016,710,242	150,836

20. SHARE CAPITAL (Continued)

Notes:

- (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 HK\$0.148 per placing share. The placing was completed on 31 March 2006. The new shares were issued to rank pari passu in all respects with the then existing shares.
- (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 ("2009 Warrant") 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). The new shares were issued to rank pari passu in all respects with the then existing shares.

In August 2006, new shares were issued upon the conversion of "2009 Warrant" into 3,000 new shares of HK\$0.05 each at a price of HK\$0.26 per share.

- (c) Reference was made to the announcement of the Company dated 18 June 2007, Mr. Law Kar Po, a shareholder of the Company, has given his notice to convert all of the Convertible Notes held by him into 153,874,000 shares. This transaction was taken place on 25 June 2007.
- (d) Warrants

Movements in Warrants:

	Date of issue	At 1/1/2006	Number of Warrants		At 31/12/2006	Exercised during the period	At 30/6/2007
			Issued during the year	Exercised during the year			
2007 Warrant	21/7/2005	225,000,000	–	–	225,000,000	(32,000,000)	193,000,000
2009 Warrant	7/6/2006	–	283,082,284	(3,000)	283,079,284	(10,402)	283,068,882

Terms of unexpired and unexercised Warrants at the balance sheet date:

	Date of issue	Exercisable period	Number of Warrants	
			(Unaudited) 30/6/2007	(Audited) 31/12/2006
2007 Warrant	21/7/2005	21/7/2005 – 20/7/2007	193,000,000	225,000,000
2009 Warrant	7/6/2006	7/6/2006 – 6/6/2009	283,068,882	283,079,284

21. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2007, the Group had the following transactions with related parties:

- (a) Mr. Lee Sam Yuen, John (an ex-director of the Company) and Mrs. Lee Shiao Yu Cho (a close family member of Mr. Lee Sam Yuen, John) had jointly provided guarantee of HK\$100 million (2006: HK\$100 million) to a bank to secure general banking facilities granted to a subsidiary of the Company, for which no charge is 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\$107,000 (Period ended 30 June 2006: HK\$109,000). Total rental paid during the period was HK\$642,000 (Period ended 30 June 2006: HK\$654,000).

In addition to the above, D. H. International has provided all monies mortgage over six properties to a bank to secure general banking facilities granted to a subsidiary of the Company.

- (c) Key management personnel remuneration

During the periods ended 30 June 2006 and 2007, key management personnel compensations being the emoluments paid to the directors of the Company.

22. OPERATING LEASE COMMITMENTS

(a) Operating lease receivable

The Group leased out certain buildings under operating lease with average lease terms of 2 to 5 years. At 30 June 2007, the Group had total future minimum lease receivable under non-cancellable operating leases falling due as follows:

	The Group			
	(Unaudited) 30/6/2007		(Audited) 31/12/2006	
	Investment properties HK\$'000	Others HK\$'000	Investment properties HK\$'000	Others HK\$'000
Within one year	695	290	645	377
In the second to fifth years	1,848	24	2,871	169
	2,543	314	3,516	546

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

At 30 June 2007, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating lease in respect of properties, plant and equipment which fall due as follows:

	The Group	
	(Unaudited) 30/6/2007 HK\$'000	(Audited) 31/12/2006 HK\$'000
Within one year	1,708	2,777
In the second to fifth years	1,077	296
	2,785	3,073

23. POST BALANCE SHEET EVENTS

- (a) On 18 June 2007, The Company entered into the Convertible Bonds Subscription Agreement with six subscribers in respect of the issuance of the Convertible Bonds by the Company (the "Issue") in an aggregate principal amount of HK\$160 million. The net proceeds of the Convertible Bonds are estimated to be approximately HK\$159 million which are intended to be applied as to potential investments opportunities in general, in Hong Kong, Macau and the People's Republic of China ("PRC").

The Issue was duly approved by the then shareholders of the Company by way of poll at the Extraordinary General Meeting held at 27 July 2007. In accordance with the terms of the 2009 Warrants, the subscription price of the outstanding 2009 Warrants has to be adjusted from HK\$0.26 to HK\$0.25 per Share as a result of the Issue.

On 23 August 2007, two of the subscribers of the Issue and the Company entered into Substitution Deed pursuant to which one of the said subscribers agreed to take up the HK\$12.5 million Convertible Bond which was originally agreed to be subscribed by the other said subscriber under the Convertible Bonds Subscription Agreement. The Convertible Bonds Subscription Agreement was completed on 24 August 2007.

- (b) On 27 August 2007, the Company entered into an Agreement to acquire the entire interest in Central Bingo Group Limited ("Central Bingo") and the related shareholder's loan for a total consideration of HK\$250 million.

Central Bingo is a company incorporated in the British Virgin Islands with limited liability. Its sole asset is the 100% interest in China Infrastructure Limited (中國基建有限公司), a company incorporated in Hong Kong with limited liability. China Infrastructure Limited's sole asset is the 70% interest in 泛華房地產開發(瀋陽)有限公司 (Pan-China (Shenyang) R.E. Development Limited), a company incorporated in the PRC with limited liability.

Pan-China (Shenyang) R.E. Development Limited's sole asset is a piece of land located at Shenyang Liaoning, the PRC. The land is currently under site formation and foundation work and is expected to be developed into a composite commercial district comprising offices, hotel and apartment.

The aggregate payment for the acquisition of HK\$250 million, comprising approximately HK\$56.3 million of shareholder's loan, on a dollar for dollar basis, and the remaining balance of HK\$193.7 million as consideration for 100% of the existing issued share capital of Central Bingo.

- (c) On 3 September 2007, the Company and an independent third party (the "Parties") entered into non-legally binding Memorandum of Understanding, pursuant to which the Parties have expressed their interests for the joint development of a site located at Baotau, the PRC for an estimated investment cost of US\$100 million.

24. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD ENDED 30 JUNE 2007

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 June 2007 and which have not been adopted in this interim financial report.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) Interpretation 12	Service concession arrangements	1 January 2008

Management is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.