

HONESTY TREASURE INTERNATIONAL HOLDINGS LIMITED

信寶國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 600)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

The board of Directors (the “Board”) of Honesty Treasure International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2005, together with comparative figures for the corresponding period in 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
	Note	2005	2004
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Turnover	3	48,090,106	136,550,099
Cost of sales		<u>(34,437,322)</u>	<u>(111,412,844)</u>
Gross profit		13,652,784	25,137,255
Other revenue	3	177,725	336,775
Selling and distribution costs		(3,177,207)	(2,422,115)
General and administrative expenses		<u>(20,411,781)</u>	<u>(19,395,746)</u>
(Loss)/profit from operations		(9,758,479)	3,656,169
Amortisation charges on intangible assets		–	(5,061,722)
Impairment loss on property, plant and equipment		–	(7,300,000)
Impairment loss on intangible assets		(30,160,000)	–
Gain on disposal of investment property		–	1,649,561
(Loss)/Gain on disposal of property, plant and equipment		(25,845)	4,776,595
Finance costs	4	(92,733)	(797,492)
Share of results of associates		<u>34,363,951</u>	<u>–</u>
Loss before taxation	5	(5,673,106)	(3,076,889)
Taxation	6	<u>(44,128)</u>	<u>–</u>
Loss for the period		<u>(5,717,234)</u>	<u>(3,076,889)</u>
Attributable to:			
– Equity holders of the parent		(3,495,912)	(2,773,454)
– Minority interests		<u>(2,221,322)</u>	<u>(303,435)</u>
		<u>(5,717,234)</u>	<u>(3,076,889)</u>
Loss per share	7		
– Basic		<u>(0.17 cents)</u>	<u>(0.24 cents)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	30/9/2005 HK\$ (Unaudited)	31/3/2005 HK\$ (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	15,121,573	14,228,992
Interests in associates	554,572,716	520,208,765
Intangible assets	–	30,160,000
	569,694,289	564,597,757
Current assets		
Inventories	15,495,361	18,852,015
Deposit for acquisition of property, plant and equipment	34,400,000	–
Trade and other receivables	30,400,456	22,625,451
Short-term investments	–	51,810
Financial assets at fair value through profit or loss	78,500	–
Bank balances and cash	18,963,950	12,818,409
	99,338,267	54,347,685
LIABILITIES		
Current liabilities		
Bills payable	208,598	292,894
Due to a director	–	1,700,000
Due to minority shareholders	49,657,714	33,559,582
Trade and other payables	47,062,909	24,676,597
Current portion of interest-bearing borrowings		
– secured bank borrowings	3,030,770	7,743,516
– obligations under finance lease	276,606	324,535
Loan notes	1,452,500	1,400,000
Taxation payable	345,833	301,705
	(102,034,930)	(69,998,829)
Net current liabilities	(2,696,663)	(15,651,144)
Total assets less current liabilities	566,997,626	548,946,613
Non-current liabilities		
Obligations under finance leases	123,611	241,944
Provision for long service payments	981,444	1,928,452
	1,105,055	2,170,396
NET ASSETS	565,892,571	546,776,217
CAPITAL AND RESERVES		
Issued capital	121,541,142	98,531,142
Reserves	443,961,752	445,681,648
Equity attributable to equity holders of the parent	565,502,894	544,212,790
Minority interests	389,677	2,563,427
TOTAL EQUITY	565,892,571	546,776,217

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The accounting policies and methods of computation used in the preparation of this condensed interim consolidated financial statements are consistent with those used in the annual financial report for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as the "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

These condensed interim consolidated financial statements have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this report. The HKFRS standards and interpretations that will be applicable at 31 March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this condensed interim consolidated financial report.

2. EFFECT OF ADOPTION NEW/REVISED HKFRSs AND HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30 September 2005 which are pertinent to its operations and relevant to these condensed interim consolidated financial statements.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 28	Investments in associates
HKAS 32	Financial instruments: Disclosure and presentation
HKAS 33	Earnings per share
HKAS 34	Interim financial reporting
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: Recognition and measurement
HKAS 40	Investment property

The adoptions of these new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 34, 36, 37, 38, 39 and 40 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. In summary:

- HKAS 1 affects certain presentation in the consolidated balance sheet, the consolidated income statement and consolidated statement of changes in equity.
- HKASs 14, 16, 17, 23 and 28 affect certain presentations and disclosures of the consolidated financial statements.
- HKASs 2, 7, 8, 10, 12, 18, 19, 21, 24, 27, 33, 34, 36, 37, 38 and 40 do not have any impact as the Group's accounting policies have already complied with the standards.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the short-term investments which is classified as the financial assets at fair value through profit or loss.

HKAS 39 does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to short-term investments for the comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, if any, are determined and recognized at 1 April 2005.

3. TURNOVER AND SEGMENT INFORMATION

(i) TURNOVER AND REVENUE

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, interest income, gross rental income from investment properties and dividend income for the period.

	Six months ended	
	30 September	2004
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Turnover		
Trading and retailing	46,431,746	131,425,054
Healthcare and medical-related businesses	1,658,360	5,125,045
	48,090,106	136,550,099
Other revenue		
Interest income	51,725	13,691
Gross rental income from investment properties	126,000	226,797
Dividend income	–	96,287
	177,725	336,775
Total revenue	48,267,831	136,886,874

(ii) *SEGMENT INFORMATION*

An analysis of the Group's unaudited segment revenue and results of business segments, which is its primary reporting format basis, is as follows:

Business segments

	For the six months ended 30 September 2005 (Unaudited)				
	Trading and retailing HK\$	Healthcare and medical related business HK\$	Corporate HK\$	Elimination HK\$	Total HK\$
Segment revenue					
External customers	46,431,746	1,658,360	–	–	48,090,106
Inter-segments	–	–	–	–	–
	<u>46,431,746</u>	<u>1,658,360</u>	<u>–</u>	<u>–</u>	<u>48,090,106</u>
Segment results	<u>(3,346,410)</u>	<u>(4,281,960)</u>	<u>(2,130,109)</u>	<u>–</u>	<u>(9,758,479)</u>
Impairment loss on intangible assets					(30,160,000)
Loss on disposal of property, plant and equipment					(25,845)
Finance costs					(92,733)
Share of results of associates					34,363,951
Taxation					(44,128)
Loss for the period					<u>(5,717,234)</u>

	For the six months ended 30 September 2004 (Unaudited)				
	Leatherware trading and manufacturing HK\$	Healthcare and medical related business HK\$	Corporate HK\$	Elimination HK\$	Total HK\$
Segment revenue					
External customers	131,425,054	5,125,045	–	–	136,550,099
Inter-segments	895,781	563,604	–	(1,459,385)	–
	<u>132,320,835</u>	<u>5,688,649</u>	<u>–</u>	<u>(1,459,385)</u>	<u>136,550,099</u>
Segment results	<u>5,489,499</u>	<u>(692,958)</u>	<u>83,965,689</u>	<u>(85,106,061)</u>	3,656,169
Amortisation charge on intangible assets					(5,061,722)
Impairment loss on property, plant and equipment					(7,300,000)
Gain on disposal of investment property					1,649,561
Gain on disposal of property, plant and equipment					4,776,595
Finance costs					(797,492)
Loss for the period					<u>(3,076,889)</u>

4. FINANCE COSTS

	Six months ended 30 September	
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	83,369	684,982
Interest on other loans	–	100,583
Finance charges on obligations under finance leases	9,364	11,927
	<u>92,733</u>	<u>797,492</u>

5. LOSS BEFORE TAXATION

Loss before taxation is stated after (crediting)/charging:

	Six months ended 30 September	
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Crediting		
Gain on disposal of investment property	–	(1,649,561)
Gain on disposal of property, plant and equipment	–	(4,776,595)
Interest income	(51,725)	(13,691)
Net realized gain on financial assets at fair value through profit or loss	<u>(26,690)</u>	<u>–</u>
Charging		
Amortisation of intangible assets	–	5,061,722
Cost of inventories	34,437,322	111,412,844
Depreciation of property, plant and equipment	1,178,100	1,757,701
Impairment loss on property, plant and equipment	–	7,300,000
Impairment loss on intangible assets	30,160,000	–
Loss on disposal of property, plant and equipment	25,845	–
Net realised loss on short-term investments	<u>–</u>	<u>1,144,668</u>

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 September	
	2005	2004
	HK\$	HK\$
	(Unaudited)	(Unaudited)
The amount of taxation charged to the condensed consolidated income statement represents:		
Hong Kong profits tax		
Current period	<u>44,128</u>	<u>–</u>

No provision for deferred taxation has been made in the financial statements for the current period (2004: 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.

7. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the consolidated net loss attributable to equity holders of the parent of HK\$3,495,912 (2004: HK\$2,773,454) and on the weighted average number of 2,024,397,240 (2004: 1,163,378,031) ordinary shares in issue during the period.

Diluted loss per share is not presented as the exercise of the outstanding warrants of the Company would be anti-dilutive in respect of the interim period presented (2004: Nil).

INTERIM DIVIDEND

The Board of Directors does not recommend the payments of any interim dividend for the six months ended 30 September 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Company Name

The name of the Company was changed from “Pearl Oriental Enterprises Limited 東方明珠實業有限公司” to “Honesty Treasure International Holdings Limited 信寶國際控股有限公司” with effect from 7 October 2005. The change of company name would allow the Company to carry on its business under a separate identity and benefit its future business development.

Business Review

For the six-month period from 1 April 2005 to 30 September 2005, the Group reported an unaudited total turnover of HK\$48,090,106, representing a decrease of 65% compared to that of HK\$136,550,099 for the corresponding period in 2004. The decrease was partly due to the partial change of sales channels of the Group’s leather business through consignment sales to earn commission income in order to reduce the operation cost.

For the six-month period from 1 April 2005 to 30 September 2005, the unaudited loss for the period was HK\$5,717,234 as compared to that of the previous corresponding period of HK\$3,076,889. During the period under review, the directors took a prudence approach on the preparation of financial statements and provision for impairment loss for intangible assets of HK\$30,160,000 was made. Had the impairment loss not been made for the period under review, the Group would have recorded a net profit after tax of HK\$24,442,766. During the period under review, the Group’s share of results of associates amounted to HK\$34,363,951 (corresponding period in 2004: Nil) as a result of the acquisition of Golden Dragon Hotel in early 2005.

Hotel and entertainment business

With the continuing growth of Macau’s economy and the prosperity of the tourism and entertainment sectors, Golden Dragon Hotel achieved an average rent-out rate of over 90% during the third quarter of 2005. During the period under review, the turnover of Golden Dragon Hotel exceeded approximately HK\$84,000,000. The turnover of Sunny Tourist & Entertainment Company Limited (“Sunny Tourist”) reached approximately HK\$189,000,000 (being the sharing of gross profits from the gambling business operator). During the period under review, the Group’s share of results of associates amounted to HK\$34,363,951. The Board believes that the Golden Dragon Hotel (including Sunny Tourist) will continue to contribute promising investment return to the Group.

Property investment

In August 2005, the Group, through a subsidiary (in which the Group owned 51% and the remaining 49% owned by independent third parties) acquired a single seven storey block building located at nos. 1-13 da Rua do Tap Siac, Macau, for investment purpose. The Board is considering the future development strategy of the property with reference to the property market condition and prospects in Macau. During the period under review, no income, profit or loss was recorded from the property. Decoration work has not yet been commenced.

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

Leather trading and retail business

During the period under review, the Group's turnover in leather trading and retail business was HK\$46,431,746 (corresponding period in 2004: HK\$132,320,835). The decrease was partly due to partial change of sales channels of the Group's leather business through consignment sales to earn commission income in order to reduce the operation cost.

One of the Group's subsidiaries operates retail business in ladies handbags and leather products under the brand "Mocca". During the period under review, the Group opened two retail shops in Hong Kong. By the end of this year, the Group has a total of 7 retail shops in Hong Kong and Macau. With the continuing growth and success of the PRC's "Individual Visit Scheme", the Board and the management of the Company believe that the retail business will continue to grow steadily in the future.

Health care business

During the period under review, the health care business recorded a turnover of only HK\$1,658,360 (corresponding period in 2004: HK\$5,688,649), mainly because the product Kenitic Electromagnetic Therapy Instrument failed to tap into the high-end customer market through direct sales channels. The Board has been closely monitoring the development of its health care business and evaluating the effects to the results of the Group.

The Group wishes that by capitalizing on the executive directors' vast social connections and ample trading experiences, the Group will be able to further expand its businesses, to identify quality new projects with potential development opportunities and to bring in enormous investment returns for the Group.

Liquidity and Financial Resources

The Group's equity attributable to equity holders of the Company as at 30 September 2005 was HK\$565,502,894 (31 March 2005: HK\$544,212,790).

The net current liabilities as at 30 September 2005 was HK\$2,696,663 (31 March 2005: HK\$15,651,144) while the cash and bank balances as at 30 September 2005 was HK\$18,963,950 (31 March 2005: HK\$12,818,409).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2005 and 31 March 2005.

Charge on Assets

The Group did not charge any of its assets as at 30 September 2005 and 31 March 2005.

Foreign Currencies

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi, Macao pataca (MOP) and United States dollars. Accordingly, the Group has no material foreign exchange exposure risks.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

Corporate Governance

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

Code Provision A.4.1

Code A.4.1 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 are not specific but are subject to retirement by rotation at least once every three years at the annual general meeting but are eligible for reappointment.

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 from all directors, it is confirmed that they 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 September 2005.

Review by Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse and Mr. Wong King Lam, Joseph. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 September 2005.

Publication on the Stock Exchange Web Site

An Interim Report containing all the information required by para. 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange web site in due course.

By order of the Board
CHIANG Pedro
Chairman

Hong Kong, 21 December 2005

As at the date of this announcement, the Board comprises:

Executive Directors:

Chiang Pedro, Law Kar Po, Wu Ka I, Miguel, Hoi Man Pak, Ung Choi Kun, Lee Sam Yuen, John, Law Wing Yee, Wendy and Lee Siu Yuk, Eliza

Non-executive Directors:

Leonel Alberto Alves and Chui Sai Cheong

Independent non-executive Directors:

Lau Wai Ming, Kwok Hong Yee, Jesse and Wong King Lam, Joseph.

“Please also refer to the published version of this announcement in The Standard”