

Interim Report

07

廣益

FORTUNA



國際集團有限公司

Stock Code : 530 INTERNATIONAL HOLDINGS LIMITED

CONTENTS

Pages

CONDENSED CONSOLIDATED INCOME STATEMENT	2
CONDENSED CONSOLIDATED BALANCE SHEET	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	5
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6
MANAGEMENT DISCUSSION AND ANALYSIS	16
INTERIM DIVIDEND	17
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES	18
SHARE OPTION SCHEME	18
SUBSTANTIAL SHAREHOLDERS	18
CORPORATE GOVERNANCE	20
PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	20

FORTUNA INTERNATIONAL HOLDINGS LIMITED (STOCK CODE: 530)

The board of directors (the “Board” or “Directors”) of Fortuna International Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (the “Period”) together with comparative figures for the corresponding period in 2006 as set out below.

These interim financial statements have not been audited nor reviewed by the Company’s auditors, CCIF CPA Limited, but have been reviewed by the audit committee of the Company on 18 September 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
TURNOVER	4	55,401	33,557
Cost of sales		<u>(45,258)</u>	<u>(25,551)</u>
Gross profit		10,143	8,006
Other revenue and gains	5	3,881	6,775
Selling and distribution expenses		(111)	(66)
Administrative expenses		(15,692)	(10,747)
Other operating expenses		(238)	(155)
Loss on disposal of investment properties		<u>-</u>	<u>(119)</u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(2,017)	3,694
Finance costs		-	(4)
Loss on disposal of subsidiaries		<u>(2,037)</u>	<u>-</u>
(LOSS)/PROFIT BEFORE TAX		(4,054)	3,690
Tax	6	<u>(285)</u>	<u>(35)</u>
(LOSS)/PROFIT FROM CONTINUING OPERATIONS		(4,339)	3,655
DISCONTINUED OPERATIONS			
Profit from discontinued operations	7	<u>4,499</u>	6,784
PROFIT FOR THE PERIOD	8	<u>160</u>	<u>10,439</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		367	10,350
Minority interest		<u>(207)</u>	<u>89</u>
		<u>160</u>	<u>10,439</u>
(LOSS)/EARNINGS PER SHARE			
Basic	9		
- Continuing operations		(2.03) cents	0.05 cents
- Discontinued operations		<u>2.21 cents</u>	<u>0.09 cents</u>
		<u>0.18 cents</u>	<u>0.14 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2007	2006
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	135,772	7,468
Investment properties	12	17,920	16,290
Goodwill		455	455
		<u>154,147</u>	<u>24,213</u>
CURRENT ASSETS			
Inventories		1,996	755
Trade receivables	13	5,619	3,771
Prepayments, deposits and other receivables		4,952	3,854
Cash and bank balances		19,764	121,878
		<u>32,331</u>	<u>130,258</u>
CURRENT LIABILITIES			
Trade payables	14	7,112	5,245
Accrued liabilities and other payables		37,009	10,664
Current tax payable		1,465	1,492
Bank loans and overdraft		–	701
Due to minority shareholders		1,160	1,160
		<u>46,746</u>	<u>19,262</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(14,415)</u>	<u>110,996</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>139,732</u>	<u>135,209</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		639	354
		<u>139,093</u>	<u>134,855</u>
CAPITAL AND RESERVES			
Share capital	15	4,081	4,081
Reserves		135,012	130,567
Equity attributable to equity holders of the Company		<u>139,093</u>	<u>134,648</u>
Minority interest		–	207
Total equity		<u>139,093</u>	<u>134,855</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interest HK\$'000	
At 1 January 2006	136,018	564,123	(3,416)	31	191,389	(852,915)	35,230	179	35,409
Capital reorganisation	(134,658)	(564,123)	-	-	698,781	-	-	-	-
Set off accumulated losses	-	-	-	-	(688,054)	688,054	-	-	-
Open offer, net of expenses	2,721	23,271	-	-	-	-	25,992	-	25,992
Minority interest movement	-	-	-	-	-	-	-	49	49
Net profit for the period	-	-	-	-	-	10,350	10,350	-	10,350
At 30 June 2006	<u>4,081</u>	<u>23,271</u>	<u>(3,416)</u>	<u>31</u>	<u>202,116</u>	<u>(154,511)</u>	<u>71,572</u>	<u>228</u>	<u>71,800</u>
At 1 January 2007	4,081	23,271	(3,416)	31	202,116	(91,435)	134,648	207	134,855
Released upon disposal of subsidiaries	-	-	3,416	(31)	693	-	4,078	-	4,078
Minority interest movement	-	-	-	-	-	-	-	(207)	(207)
Net profit for the period	-	-	-	-	-	367	367	-	367
At 30 June 2007	<u>4,081</u>	<u>23,271</u>	<u>-</u>	<u>-</u>	<u>202,809</u>	<u>(91,068)</u>	<u>139,093</u>	<u>-</u>	<u>139,093</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(6,160)	2,355
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(126,281)	(93,707)
NET CASH INFLOW FROM FINANCING ACTIVITIES	31,028	70,840
DECREASE IN CASH AND CASH EQUIVALENTS	(101,413)	(20,512)
Cash and cash equivalents at beginning of period	<u>121,177</u>	<u>40,164</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>19,764</u>	<u>19,652</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	19,764	20,493
Bank overdrafts	<u>-</u>	<u>(841)</u>
	<u>19,764</u>	<u>19,652</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006.

The following new standards and interpretations which are relevant to the Group’s operations have been issued and effective as at the time of preparing this information:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of such standards or interpretations did not result in substantial changes to the Group’s accounting policies.

The Group had not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

2. FINANCIAL RISK MANAGEMENT

The Group’s principal financial instruments comprise bank loans and overdrafts, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operation. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not have any written risk management policies and guidelines. The Directors monitor the financial risk of the Group and take such measures as considered necessary from time to time to minimise such financial risks.

The Group’s activities are exposed to the following risks:

(a) **Interest rate risk**

As the Group has no significant interest bearing liabilities, the Group’s exposure to market risk for changes in interest rates relates primarily to the cash and bank balances and short term time deposits.

(b) **Foreign currency risk**

Most of the Group’s monetary assets and liabilities are denominated in Hong Kong dollars, and the Group conducted its business transactions principally in Hong Kong dollars. The exchange rate risk of the Group is not significant.

2. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk

The Group has no significant concentration of credit risk and trade debtors are managed in accordance with the credit policies.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank overdrafts and bank loans.

(e) Fair value

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. These calculations use cash flow projections based on financial budgets approved by management.

Impairment loss on trade and other receivables

The Group makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Impairments are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debt expenses in the period in which such estimate has been changed.

4. SEGMENT INFORMATION

Segment information about the Group's continuing operations is presented below. Segment information about the Group's discontinued operations is presented in note 7.

	Segment turnover		Segment results	
	Six months ended 30 June 2007	2006	Six months ended 30 June 2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Property investment	378	454	388	6,563
Japanese restaurant	9,830	7,955	(1,442)	524
Trading of glass eel	45,193	25,148	1,654	877
	<u>55,401</u>	<u>33,557</u>	<u>600</u>	<u>7,964</u>
Interest income			1,900	87
Unallocated income			149	144
Unallocated expenses			(4,666)	(4,501)
(Loss)/Profit from operating activities			<u>(2,017)</u>	<u>3,694</u>

5. OTHER REVENUE AND GAINS

	Six months ended 30 June					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Other revenue						
Bank interest income	1,900	87	2	10	1,902	97
Dividend income	–	3	–	–	–	3
Others	271	75	166	148	437	223
	<u>2,171</u>	<u>165</u>	<u>168</u>	<u>158</u>	<u>2,339</u>	<u>323</u>
Gains						
Gain on disposal of listed securities	80	227	–	–	80	227
Fair value changes of investment properties	1,630	(217)	–	–	1,630	(217)
Negative goodwill arising on acquisition of subsidiaries	–	6,600	–	–	–	6,600
	<u>1,710</u>	<u>6,610</u>	<u>–</u>	<u>–</u>	<u>1,710</u>	<u>6,610</u>
	<u>3,881</u>	<u>6,775</u>	<u>168</u>	<u>158</u>	<u>4,049</u>	<u>6,933</u>

6. TAX

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits for the Period.

	Six months ended 30 June					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Profits tax						
Hong Kong Profits Tax	–	–	–	1,721	–	1,721
Deferred taxation	285	35	–	(184)	285	(149)
	<u>285</u>	<u>35</u>	<u>–</u>	<u>1,537</u>	<u>285</u>	<u>1,572</u>

7. DISCONTINUED OPERATIONS

On 2 March 2007, the Group entered into an agreement with Profit Leap International Limited, a company wholly-owned by a director of Firststone Food & Beverage Holdings Limited (one of the Company's subsidiaries) to dispose of the entire issued share capital of Firststone Enterprises Limited ("Firststone") and the entire shareholder's loan due to the Group by Firststone for a nominal consideration of HK\$50,000. Firststone is an investment holding company incorporated in the British Virgin Islands holding various non-core operations of the Group, including the distribution of wine in Hong Kong, trading of jewellery and steel and artwork design business. The transaction was completed on 16 April 2007.

The combined results and cash flows of the discontinued operations included in the consolidated income statement and consolidated cash flow statement are set out below.

Profit for the Period from discontinued operations

	Segment turnover		Segment results	
	Six months ended 30 June 2007	2006	Six months ended 30 June 2007	2006
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Discontinued operations				
Skin and health care	-	-	-	(27)
Trading of jewellery	-	-	-	(562)
Trading of wine	1,152	1,480	(67)	(108)
Artwork design	-	-	-	(1,816)
Trading of other products	-	-	-	(49)
	<u>1,152</u>	<u>1,480</u>	<u>(67)</u>	<u>(2,562)</u>
Interest income			2	10
Finance cost			-	(287)
Loss before tax from discontinued operations			(65)	(2,839)
Income tax			-	(1,537)
Loss for the year from discontinued operations			(65)	(4,376)
Profit on disposal of operations			4,564	11,160
Profit from discontinued operations			<u>4,499</u>	<u>6,784</u>
Cash flows from discontinued operations				
Net cash generated from/(used in) operating activities			561	(3,403)
Net cash generated from investing activities			2	9,721
Net cash used in financing activities			-	(5,740)
Total cash inflow			<u>563</u>	<u>578</u>

8. PROFIT FOR THE PERIOD

The Group's profit for the Period was determined after charging/(crediting):

	Six months ended 30 June					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Depreciation	908	422	4	15	912	437
Impairment loss on trade and other receivables	238	44	-	(147)	238	(103)
Loss on disposal of property, plant and equipment	-	111	-	1,617	-	1,728
	<u>-</u>	<u>111</u>	<u>-</u>	<u>1,617</u>	<u>-</u>	<u>1,728</u>

9. (LOSS)/EARNINGS PER SHARE

- (a) The calculation of basic (loss)/earnings per share is based on the net (loss)/profit for the Period attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the Period.

(Loss)/Earnings

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited) (Restated)
	HK\$'000	HK\$'000
(Loss)/Earnings attributable to equity holders of the Company used in the basic (loss)/earnings per share calculation		
From continuing operations	(4,132)	3,566
From discontinued operations	4,499	6,784
	<u>367</u>	<u>10,350</u>
Number of shares	'000	'000
Weighted average number of shares for the purpose of calculating basic (loss)/earnings per share	<u>204,027</u>	<u>7,642,569</u>

- (b) Diluted earnings per share is not presented as there were no dilutive potential shares in issue during the six-month periods ended 30 June 2006 and 2007.

10. ACQUISITIONS OF SUBSIDIARIES

On 21 March 2007, the Group acquired 100% of the issued share capital of Gold Venture Corporation Limited and Sinostate Properties Limited at a cash consideration of approximately HK\$321,000. On 29 June 2007, the Group acquired 100% of the issued share capital of Quick Treasure Investments Limited for cash consideration of approximately HK\$129,028,000.

The following summarises the effect of the acquisition:

	Carrying amount <i>HK\$'000</i>	Fair value adjustment <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Property, plant and equipment	127,863	1,145	129,008
Inventories	1,784	–	1,784
Trade receivable	4,857	–	4,857
Utility deposits and other receivables	246	–	246
Bank balances and cash	2,054	–	2,054
Trade payable	(5,033)	–	(5,033)
Accrued liabilities and other payables	(3,567)	–	(3,567)
	<u>128,204</u>	<u>1,145</u>	<u>129,349</u>
Goodwill arising on acquisition			<u>–</u>
Total consideration, satisfied by cash			<u>129,349</u>

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	<i>HK\$'000</i>
Cash consideration	(129,349)
Cash and bank balances acquired	<u>2,054</u>
	<u>(127,295)</u>

11. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

	Six months ended 30 June 2007 (Unaudited) <i>HK\$'000</i>
Other receivables	13,950
Deposit and prepayment	5
Other payable and accruals	(15,977)
Amount due to immediate holding company	<u>(433,832)</u>
	(435,854)
Release of exchange fluctuation reserve	3,416
Release of contributed surplus	<u>693</u>
	(431,745)
Assignment of amount due to immediate holding company	433,832
Loss on disposal of subsidiaries	<u>(2,037)</u>
Total consideration	<u>50</u>

11. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of subsidiaries (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	<i>HK\$ '000</i>
Cash consideration	50
Cash and bank balance disposed of	–
	<u>50</u>

(b) Disposal of subsidiaries attributable to discontinued operations

The net liabilities of those subsidiaries under discontinued operations as disclosed in note 7 at the date of disposal on 16 April 2007 were as follows:

	Six months ended
	30 June 2007
	(Unaudited)
	<i>HK\$ '000</i>
Property, plant and equipment	31
Accounts receivable	482
Other receivables	150
Inventories	448
Bank and cash balances	779
Accounts payable	(1,673)
Other payable and accruals	(4,747)
Tax payable	(3)
	<u>(4,533)</u>
Release of capital reserve	(31)
	<u>(4,564)</u>
Gain on disposal of discontinued operations	4,564
	<u>–</u>
Total consideration	<u>–</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries attributable to discontinued operations:

	<i>HK\$ '000</i>
Cash consideration	–
Cash and bank balance disposed of	(779)
	<u>(779)</u>

12. CAPITAL EXPENDITURE

The movements in investment properties and property, plant and equipment during the Period were summarised as follows:

	Investment properties (Unaudited) HK\$'000	Property, plant and equipment (Unaudited) HK\$'000
Net book value as at 1 January 2007	16,290	7,468
Additions	–	250
Acquired on acquisition of subsidiaries	–	129,008
Fair value changes of investment properties	1,630	–
Disposal of subsidiaries	–	(32)
Disposal	–	(10)
Depreciation	–	(912)
	<hr/>	<hr/>
Net book value as at 30 June 2007	<u>17,920</u>	<u>135,772</u>

Investment properties were revalued at 30 June 2007 by an independent firm of surveyors, Dudley Surveyors Limited, on an open market value basis.

13. TRADE RECEIVABLES

Trading terms with customers are largely on credit and credit periods range from 30 days to 150 days. Overdue balances are regularly reviewed by senior management.

The following is an aging analysis of trade receivables, net of provisions, at the balance sheet date based on the invoice date, which is when the goods are delivered and services are rendered.

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current to 3 months	5,344	3,603
3 to 6 months	165	165
Over 6 months	110	3
	<hr/>	<hr/>
	<u>5,619</u>	<u>3,771</u>

14. TRADE PAYABLES

The following is an aging analysis of trade payables at the balance sheet date based on the date of the goods purchased and services rendered.

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current to 3 months	6,975	3,997
3 to 6 months	2	3
Over 6 months	135	1,245
	<hr/>	<hr/>
	<u>7,112</u>	<u>5,245</u>

15. SHARE CAPITAL

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
<i>Authorised:</i>		
12,500,000,000 ordinary shares of HK\$0.02 each (2006: 12,500,000,000 ordinary shares of HK\$0.02 each)	250,000	250,000
500 Convertible preference shares of HK\$100,000 each (2006: 500 convertible preference shares of HK\$100,000 each)	50,000	50,000
<i>Issued and fully paid:</i>		
204,027,273 ordinary shares of HK\$0.02 each (2006: 204,027,273 ordinary shares of HK\$0.02 each)	4,081	4,081

16. LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits.

As at 30 June 2007, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	709	457
In the second to fifth years, inclusive	168	148
	877	605

(b) As lessee

The Group leases certain properties under operating lease arrangements. These leases are negotiated for terms ranging from one to three years.

As at 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	4,299	4,457
In the second to fifth years, inclusive	9,818	10,728
Over five years	706	2,000
	14,823	17,185

17. RELATED PARTY TRANSACTIONS

- (i) On 2 March 2007, the Group entered into an agreement with Profit Leap International Limited (“Profit Leap”), a company wholly-owned by a director of the Firststone Food & Beverage Holdings Limited (one of the Company’s subsidiaries) to dispose of the entire issued share capital of Firststone Enterprises Limited (“Firststone”) and the entire shareholder’s loan due to the Group for a nominal consideration of HK\$50,000. Firststone is an investment holding company incorporated in the British Virgin Islands holding various non-core operations of the Group, including distribution of wine in Hong Kong, trading of jewellery and steel and artwork design business. The nominal consideration was arrived at after arm’s length negotiation between the Group and Profit Leap. The disposal of Firststone was completed on 16 April 2007.
- (ii) On 21 March 2007, the Group acquired 100% issued share capital of Gold Venture Corporation Limited and Sinostate Properties Limited from Value Place Investments Limited and Full Ahead Limited respectively at an aggregate cash consideration of approximately HK\$321,000. Mr. Wong Ching Ping, Alex, a director of the Group, is the sole director of Value Place Investments Limited and is deemed to be in control of the board of Full Ahead Limited.

18. POST BALANCE SHEET EVENT

Subsequent to the financial period end, on 23 July 2007, 408,054,546 ordinary shares (“Offer Shares”) of HK\$0.02 were issued at HK\$0.18 per share by way of open offer to the shareholders of the Company on the basis of two Offer Shares for every share held. The proceeds of the open offer, before deducting expenses for the open offer were approximately HK\$73.45 million.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current Period’s presentation.

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the board of directors on 19 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's turnover for the Period is approximately HK\$55.4 million (2006: HK\$33.6 million) and net profit is approximately HK\$0.2 million (2006: HK\$10.4 million). The turnover for the Period has increased by approximately 64.9%, but the profit has decreased by almost 98.1% as compare to the six months ended 30 June 2006 (the "Interim Period 2006"). The gross profit for the Period is approximately HK\$10.1 million (2006: HK\$8.0 million), which is an increase of 26.3% as compare to Interim Period 2006. Although there is a growth in the turnover, which mainly derived from the Japanese restaurant operation and glass eel trading, the results of the Group are not satisfactory for the Period. The decrease in the profit for the Period as compare to the Interim Period 2006 is mainly due to the drop in profit of the Japanese restaurant operation and some accounting adjustments in relation to the property investments, details of which are stated below.

Business review

The first half of the year 2007 is a milestone development for the Group. The shareholders of the Company had duly approved the disposal of the pro-long years of loss operating businesses, namely the distribution of wine, trading of jewellery, artwork design and general trading. The disposal of these operations was completed on 16 April 2007. There is a gain of HK\$4.6 million derived from the disposal. As a result, the business of the Group has successful restructured and more resources can be deployed for the development of its remaining business.

Restaurant operation

Despite there is a growth of approximately 23.6% in the turnover as compared with the Interim Period 2006, the restaurant operation was operating at a loss during the Period. The loss was approximately HK\$1.4 million for the Period (2006: profit HK\$0.5 million). This is the first time this segment suffers loss since the Group acquired it in early 2005. The loss was mainly due to the increasing operating costs, market competition and capital outlay for maintenance and development of outlets.

Glass eel trading business

The glass eel trading business remains a steady income base for the Group. The revenue during the Period has increased as compare to last year in response to the increasing demand from China. The result for the Period is satisfactory. The turnover is approximately HK\$45.2 million for the Period (2006: HK\$25.1 million), which is an increase of approximately 80.1% as compare to the Interim Period 2006. The profit is approximately HK\$1.7 million for the Period (2006: HK\$0.9 million), which is an increase of approximately 88.9% as compare to the Interim Period 2006.

Property investment

Comparing the results of the property investment segment of the Period and the Interim Period 2006, there is a substantial decrease of 94.1%. The profit for the Interim Period 2006 is mainly due to the negative goodwill of HK\$6.6 million arising from the acquisition of State Empire Limited in June 2006. State Empire Limited is an investment holding company holding the entire interest in Right Emperor Commercial Building in Hong Kong. As such, the substantial amount of profit for the Interim Period 2006 above that of the Period is mainly an accounting adjustment on the property investment of the Group. The Group disposed the Right Emperor Commercial Building in December 2006. The rental income for the Group during the Period dropped as a result of the disposal. However, the Directors considered that the impact of such decrease in the rental income on the Group is minimal. The Group is now holding two residential and one industrial premises for long term investment and for rental purpose.

Prospects

After disposing those non-core loss making operations of the Group during the Period, the Directors can now concentrate on developing the Group's existing business and its newly acquired cruise liner business.

The Group acquired Quick Treasure Investments Limited, the holding company of a cruise liner, with the cash from the disposal of the Right Emperor Commercial Building and the proceeds from the open offer of the shares of the Company in mid 2007. Apart from continuing its existing restaurant and glass eel trading business, the Group intends to concentrate its resources in its new cruise liner business. In view of the high operating costs of the cruise liner, the Directors will exploit the possibility of introducing strategic investors. However, no concrete plans have yet been finalized or any parties have yet been identified at present. The Directors are opened to all opportunities that are beneficial to the Group in order to obtain the best result from the cruise liner business.

As the Group disposed its debt laden business, more resources can now be deployed for exploiting new business opportunities. The Directors are looking for new business for expanding its income base in the future.

Financial information

The Group generally financed its operations by cash generated from operations, proceeds from issue of shares and banking facilities granted by its principal bankers.

As at 30 June 2007, the Group's gearing ratio was nil (as at 31 December 2006: 0.005) (calculated on the basis of total bank and other borrowings over shareholders' funds). The decrease in the gearing ratio is attributable to the restructuring of the Group's business by disposing of the poorly performed business.

Since the Group's core operation was in Hong Kong, it was expected that the Group had limited exposure to the fluctuation in exchange rates. Bank balances and borrowings were mainly denominated in Hong Kong dollars.

Employees and remuneration policy

As at the balance sheet date, the Group employed a work force of 353 (2006: 69) employees. The employee costs amounted to approximately HK\$5.7 million (2006: HK\$5.7 million). Employee remuneration was in accordance with individual's responsibility and performance. Staff benefits include contribution to Mandatory Provident Fund Scheme, share option scheme, medical allowances and other fringe benefits.

Capital structure

Subsequent to the financial period end, on 23 July 2007, 408,054,546 ordinary shares ("Offer Shares") of HK\$0.02 were issued at HK\$0.18 per share by way of open offer to the shareholders of the Company. The proceeds of the open offer, before deducting expenses for the open offer were approximately HK\$73.45 million. The Offer Shares rank pari passu in all respects with the existing shares of the Company.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the Period (2006: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance of the Laws of Hong Kong (the "SFO")) which were required, 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), 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 Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") to be notified to the Company and the Stock Exchange, were as follows:

Long position in ordinary shares of HK\$0.02 each of the Company:

Name of Director	Nature of interest	Number of ordinary shares held	Percentage holdings
Wong Ching Ping, Alex	Through controlled corporation	58,601,738	28.72%

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the 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), 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 to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The share option scheme (the "Scheme") of the Company was adopted on 28 January 2004. The purpose of the Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest. The key terms of the Scheme had been summarized under Note 31 of the Notes to Financial Statements from page 77 to 80 of the Company's 2006 Annual Report published in April 2007.

There is no outstanding options remain un-exercised at the beginning and at the end of the Period. No options were granted, exercised, cancelled nor lapsed during the Period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, so far as is known to any Director or chief executive of the Company, the following persons or corporations (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company were as follows:

Long position in ordinary shares of HK\$0.02 each of the Company:

Name	Nature of Interest	Number of shares interested or deemed to be interested (long position)	Percentage to the issued share capital of the Company %
Mega Earn Management Limited	Beneficial	56,496,063 (Note 1)	27.69 (Note 8)
Expert Rich Investments Limited	Through controlled corporation	58,601,738 (Note 2)	28.72 (Note 8)
Mr. Wong Ching Ping, Alex ("Mr. Wong")	Through controlled corporation	58,601,738 (Note 3)	28.72 (Note 8)
Ms. Gomes Maria Da Silva Rubi Angela	Family	58,601,738 (Note 3)	28.72 (Note 8)
3V Group Limited	Through controlled corporation	167,702,279 (Note 4)	27.40 (Note 9)
Emperor Capital Group Ltd.	Through controlled corporation	167,702,279 (Note 5)	27.40 (Note 9)
Mr. Lee Kuang Yeu ("Mr. Lee")	Beneficial	175,500,818 (Note 6)	28.67 (Note 9)
Ms. Chan Lai Ngor	Family	175,500,818 (Note 7)	28.67 (Note 9)

Notes:

- Mega Earn Management Limited is a company wholly-owned by Byford Group Limited. The entire issued share capital of Byford Group Limited is held by Expert Rich Investments Limited which in turn was wholly owned by Mr. Wong.
- Expert Rich Investments Limited is deemed to be interested in the 58,601,738 shares through its interests in Byford Group Limited. The 58,601,738 shares comprise (i) 2,105,675 shares directly held by Byford Group Limited and 56,496,063 shares held by Mega Earn Management Limited.
- Mr. Wong is deemed to be interested in the 58,601,738 shares through his interests in Expert Rich Investments Limited. Ms. Gomes Maria Da Silva Rubi Angela is the spouse of Mr. Wong and therefore, she is also deemed to be interested in the shares.
- 3V Capital Limited ("3V Capital"), one of the underwriters under an underwriting agreement ("Underwriting Agreement") dated 7 May 2007 with an obligation to subscribe severally up to a maximum of 167,702,279 offer shares of the Company (the "Offer Shares") to be issued under an open offer (details of which are stated in the announcement of the Company dated 9 May 2007) (the "Open Offer") should there be any untaken Offer Shares. 3V Capital is wholly-owned by 3V Group Limited, which is 70% directly owned by Mr. Ong Guan Ten. Ms. Tang Chui Yee is the spouse of Mr. Ong Guan Ten. By virtue of interest of 167,702,279 Offer Shares held by 3V Capital, 3V Group Limited, Mr. Ong Guan Ten, Ms. Tang Chui Yee were deemed to be interested in the 167,702,279 Offer Shares.
- Emperor Securities Limited, the other underwriter under the Underwriting Agreement, had an obligation to subscribe severally up to a maximum of 167,702,279 Offer Shares. Emperor Securities Limited is indirectly wholly-owned by Emperor Capital Group Limited ("ECG"), a listed company in Hong Kong. Charron Holdings Limited, a registered substantial shareholder of ECG, is indirectly owned by A&A Unit Trust, a unit trust under The Albert Yeung Discretionary Trust ("AY Trust"). The trustee of A&A Unit Trust and the AY Trust is Jumbo Wealth Limited and GZ Trust Corporation respectively. Dr. Yeung Sau Shing, Albert (Dr. Yeung) is the founder of AY Trust and Ms. Luk Siu Man, Semon is the spouse of Dr. Yeung. By virtue of the interest of Emperor Securities Limited in the 167,702,279 Offer Shares, ECG, Jumbo Wealth Limited, GZ Trust Corporation, Dr. Yeung and Ms. Luk Siu Man, Semon were deemed to be interested in the 167,702,279 Offer Shares.
- Mr. Lee had entered into a conditional sub-underwriting agreement with 3V Capital on 7 May 2007 to sub-underwrite 167,702,279 Offer Shares. Mr. Lee was interested in an aggregate of 175,500,818 shares, which consists of (i) 167,702,279 Offer Shares sub-underwritten by him; (ii) his existing shareholding of 2,599,513 shares and (iii) 5,199,026 Offer Shares, being his entitlement to the Offer Shares.
- Ms. Chan Lai Ngor is the spouse of Mr. Lee and therefore, she is also deemed to be interested in the shares.
- The percentage holding is calculated by the number of shares interested or deemed to be interested over the total number of existing issued shares being 204,027,273 shares, as at 30 June 2007.
- The percentage holding is calculated by the number of shares interested or deemed to be interested over 612,081,819 shares of the Company, being the enlarged issued share capital of the Company assuming the Open Offer has completed as at 30 June 2007.

Save as disclosed above, as at 30 June 2007, so far as is known to the Directors or chief executives of the Company, no other person or corporation (not being a Director or chief executive of the Company) had any interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has complied throughout the Period with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except with the following deviation:-

Code Provision A.4.1

This code stipulates that non-executive Directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors of the Company is appointed for a specific term. However, in accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year shall retire and offer himself for re-election at the next following annual general meeting following his appointment. Further, at each annual general meeting one-third of the Directors for the time being shall retire from office. The Board is of the opinion that the current practice of appointing non-executive Directors without specific term but otherwise subject to rotation and re-election by shareholders is fair and reasonable.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the code of conduct regarding securities transactions by Directors and senior executives on terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules – Model Code for Securities Transactions by Directors of Listed Issuers. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct during the Period.

PURCHASES, SALES 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.

By Order of the Board
Wong Ching Ping, Alex
Chairman

Hong Kong, 19 September 2007

Executive Directors

Mr. Wong Ching Ping, Alex (*Chairman*)
Mr. Wong Tak Chung, Andrew

Independent Non-executive Directors

Mr. Tso Hon Sai, Bosco
Ms. Hui Wai Man, Shirley
Mr. Tang Yiu Wing