



## **COL Capital Limited**

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 0383)*

**Interim Report 2006**



COL Capital Limited  
中國網絡資本有限公司

STAR 星光電訊  
TELECOM

## BenQ-SIEMENS



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## UNAUDITED RESULTS OF THE GROUP

The Board of Directors (the "Directors") of COL Capital Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with the comparative figures for the corresponding period in 2005 as follows. The consolidated interim financial statements have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" and by the Company's Audit Committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Turnover	3	543,808	84,413
Cost of sales		(389,508)	(59,586)
Gross profit		154,300	24,827
Net gain on investments	4	481,633	21,805
Other income		9,041	2,968
Gain on disposal of an associate		1,740	–
Distribution costs		(2,424)	(3,795)
Administrative expenses		(23,646)	(8,507)
Other expenses		(4,423)	(682)
Finance costs	5	(3,225)	(2)
Profit before taxation		612,996	36,614
Tax charge	6	(9,600)	(116)
Profit for the period	7	603,396	36,498
Attributable to:			
Equity holders of the Company		603,396	36,498
Minority interests		–	–
		603,396	36,498
Dividends	8		
– Final dividend paid		11,422	12,070
– Interim dividend proposed		2,856	3,018
Basic earnings per share	9	HK\$2.06	HK\$0.12

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>As at 30 June 2006 HK\$'000 (unaudited)</b>	As at 31 December 2005 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	<i>10</i>	<b>55,619</b>	136,526
Property, plant and equipment	<i>10</i>	<b>4,229</b>	51,825
Prepaid lease payments		<b>2,453</b>	2,483
Interest in an associate		–	–
Available-for-sale investments		<b>441,391</b>	171,633
Loan notes		<b>49,576</b>	86,805
		<b>553,268</b>	449,272
<b>Current assets</b>			
Inventories held for sale			
– finished goods		<b>8,903</b>	1,495
Investments held for trading		<b>1,504,099</b>	886,464
Amount due from a minority shareholder		–	4,805
Debtors, deposits and prepayments	<i>11</i>	<b>31,299</b>	12,501
Loan receivables		<b>101,219</b>	74,429
Pledged bank deposits	<i>16</i>	<b>10,702</b>	10,526
Bank balances and cash		<b>56,899</b>	16,819
		<b>1,713,121</b>	1,007,039
Assets classified as held for sale	<i>14</i>	<b>134,422</b>	–
		<b>1,847,543</b>	1,007,039

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

	<i>Notes</i>	<b>As at 30 June 2006 HK\$'000 (unaudited)</b>	As at 31 December 2005 HK\$'000 (audited)
<b>Current liabilities</b>			
Creditors and accrued charges	12	<b>10,482</b>	41,176
Customers' deposits and receipts in advance		<b>11,138</b>	2,713
Other borrowings	13	<b>162,404</b>	100,986
Taxation payable		<b>13,915</b>	4,315
		<b>197,939</b>	149,190
Liabilities associated with assets classified as held for sale	14	<b>60,035</b>	–
		<b>257,974</b>	149,190
<b>Net current assets</b>		<b>1,589,569</b>	857,849
<b>Total assets less current liabilities</b>		<b>2,142,837</b>	1,307,121
<b>Capital and reserves</b>			
Share capital	15	<b>2,856</b>	2,975
Reserves		<b>2,123,183</b>	1,281,957
<b>Equity attributable to equity holders of the Company</b>		<b>2,126,039</b>	1,284,932
<b>Minority interests</b>		<b>16,798</b>	16,798
<b>Total equity</b>		<b>2,142,837</b>	1,301,730
<b>Non-current liability</b>			
Deferred tax liability		–	5,391
		<b>2,142,837</b>	1,307,121

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the six months ended 30 June 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Buildings revaluation reserve	Investments revaluation reserve	Capital redemption reserve	Translation reserve	Retained profits	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	3,018	676,818	1,064	34,188	1,922	(2)	487,253	1,204,261	-	1,204,261
Fair value changes on available-for-sale investments recognised directly in equity	-	-	-	(4,918)	-	-	-	(4,918)	-	(4,918)
Profit for the period	-	-	-	-	-	-	36,498	36,498	-	36,498
Total recognised income and expense for the period	-	-	-	(4,918)	-	-	36,498	31,580	-	31,580
Arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	11,996	11,996
Dividend paid	-	-	-	-	-	-	(12,070)	(12,070)	-	(12,070)
At 30 June 2005	3,018	676,818	1,064	29,270	1,922	(2)	511,681	1,223,771	11,996	1,235,767
At 1 January 2006	2,975	671,293	1,064	30,504	1,965	470	576,661	1,284,932	16,798	1,301,730
Fair value changes on available-for-sale investments	-	-	-	310,958	-	-	-	310,958	-	310,958
Exchange difference arising from translation of overseas operations	-	-	-	-	-	475	-	475	-	475
Net income recognised directly in equity	-	-	-	310,958	-	475	-	311,433	-	311,433
Fair value changes on disposal of available-for-sale investments	-	-	-	(26,450)	-	-	-	(26,450)	-	(26,450)
Profit for the period	-	-	-	-	-	-	603,396	603,396	-	603,396
Total recognised income and expense for the period	-	-	-	284,508	-	475	603,396	888,379	-	888,379
Repurchase of shares	(119)	(35,731)	-	-	119	-	(119)	(35,850)	-	(35,850)
Dividend paid	-	-	-	-	-	-	(11,422)	(11,422)	-	(11,422)
At 30 June 2006	2,856	635,562	1,064	315,012	2,084	945	1,168,516	2,126,039	16,798	2,142,837

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 June 2006

	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(103,698)</b>	(16,629)
<b>INVESTING ACTIVITIES</b>		
Net proceeds from disposal of available-for-sale investments	41,200	–
Net proceeds from redemption of loan notes	39,504	59,000
Deposits received for the disposal of a subsidiary	30,027	–
Dividend received	10,409	7,970
Acquisition of a subsidiary	–	(30,971)
Other investing activities	8,017	5,408
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>129,157</b>	41,407
<b>FINANCING ACTIVITIES</b>		
New other borrowings raised	719,295	–
Repayments of other borrowings	(657,877)	–
Dividend paid	(11,422)	(12,070)
Repurchase of shares	(35,850)	–
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>14,146</b>	(12,070)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>39,605</b>	12,708
<b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE</b>	<b>475</b>	–
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>16,819</b>	32,265
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
represented by bank balances and cash	<b>56,899</b>	44,973

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**For the six months ended 30 June 2006**

### **1. BASIS OF PREPARATION**

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

### **2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006 respectively. The adoption of the new HKFRSs has had no material effect on how the Group’s results for the current and/or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.



## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### ***Potential impact arising from the recently issued new accounting standards***

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

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

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for accounting periods beginning on or after 1 March 2006.

<sup>3</sup> Effective for accounting periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for accounting periods beginning on or after 1 June 2006.

### 3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into four main operating divisions – mobile phone distribution, securities trading and investments, financial services and property investment.

These divisions are the basis on which the Group reports its primary segment information.

The turnover and profit for the period of the Group, analysed by business segments and geographical segments, are as follows:

***By business segments:***

***For the six months ended 30 June 2006:***

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Turnover	31,432	506,932	3,683	1,761	543,808
Segment result	(4,580)	633,168	3,950	(402)	632,136
Gain on disposal of an associate					1,740
Unallocated other income					1,503
Unallocated corporate expenses					(19,158)
Finance costs					(3,225)
Profit before taxation					612,996
Tax charge					(9,600)
Profit for the period					603,396

### 3. SEGMENT INFORMATION (Continued)

#### By business segments: (Continued)

For the six months ended 30 June 2005:

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Turnover	43,601	31,857	7,562	1,393	84,413
Segment result	(940)	35,697	7,558	282	42,597
Unallocated other income					351
Unallocated corporate expenses					(6,332)
Finance costs					(2)
Profit before taxation					36,614
Tax charge					(116)
Profit for the period					36,498

### 3. SEGMENT INFORMATION (*Continued*)

***By geographical segments:***

The Group's operations are located in Hong Kong and the Mainland China ("China").

During the period under review, the Group's distribution of mobile phones, securities trading and investments and financial services are carried out in Hong Kong. Rental income from property investment is from Hong Kong and China.

The following table provides an analysis of the Group's turnover by geographical market:

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>542,903</b>	83,728
China	<b>905</b>	685
	<b>543,808</b>	84,413

#### 4. NET GAIN ON INVESTMENTS

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Net realised gain on derivatives	4,609	–
Fair value changes on investments held for trading	454,535	22,805
Net realised gain on disposal of available-for-sale investments	26,450	–
Discount on early redemption of loan notes	(3,961)	(1,000)
	<b>481,633</b>	21,805

#### 5. FINANCE COSTS

The finance costs represent interest on bank and other borrowings wholly repayable within five years.

## 6. TAX CHARGE

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>HK\$'000</b>	HK\$'000
The current tax comprises:		
Hong Kong Profits Tax	<b>9,600</b>	55
Income tax in China	–	61
	<b>9,600</b>	116

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both periods.

Income tax in China has been provided at the prevailing rates applicable in China on the estimated assessable profit.

## 7. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>HK\$'000</b>	HK\$'000
Profit for the period has been arrived at after charging (crediting) the following items:		
Staff costs including directors' emoluments	<b>17,438</b>	6,272
Write-down of inventories	<b>3,587</b>	532
Depreciation and amortisation	<b>311</b>	405
Interest income	<b>(8,467)</b>	(2,922)
Dividend income from listed investments	<b>(10,409)</b>	(7,970)

## 8. DIVIDENDS

	Six months ended	
	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Final dividend paid ( <i>Note</i> )	<b>11,422</b>	12,070
Interim dividend, proposed – HK\$0.01 (2005: HK\$0.01) per share	<b>2,856</b>	3,018

*Note:* Final dividend for 2005 of HK\$0.04 per share (Final dividend for 2004: HK\$0.04 per share) amounting to HK\$11,422,000 (Final dividend for 2004: HK\$12,070,000) was paid to shareholders during the current period, and was reflected in the condensed consolidated statement of changes in equity.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the Company of HK\$603,396,000 (2005: HK\$36,498,000) and on 293,554,554 (2005: 301,755,547) weighted average number of ordinary shares in issue during the period.

## 10. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

Investment property and construction in progress of approximately HK\$80,953,000 and HK\$48,046,000 are reclassified as assets classified as held for sale during the period (see note 14).

The directors consider that the fair values of the investment properties and buildings at 30 June 2006 are not materially different from the professional valuation made at 31 December 2005 and, accordingly, no fair value changes have been recognised in the current period.

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 30 to 90 days to its trade debtors. An aged analysis of trade debtors is as follows:

	<b>30.6.2006</b> <b>HK\$'000</b>	31.12.2005 HK\$'000
Within 90 days	<b>3,627</b>	2,409
181 – 360 days	–	93
	<b>3,627</b>	2,502
Other debtors, deposits and prepayments	<b>27,672</b>	9,999
	<b>31,299</b>	12,501



## 12. CREDITORS AND ACCRUED CHARGES

An aged analysis of trade creditors is as follows:

	<b>30.6.2006</b>	31.12.2005
	<b>HK\$'000</b>	HK\$'000
Trade creditors due within 90 days	<b>1,559</b>	35
Other creditors and accrued charges	<b>8,923</b>	41,141
	<b>10,482</b>	41,176

## 13. OTHER BORROWINGS

Other borrowings represent securities margin financing received from stock broking, futures and options broking houses. The entire borrowings are secured by the Group's pledged marketable securities, repayable on demand and bear interest at prevailing market rates.

## 14. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 23 March 2006, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of and the independent third party agreed to purchase the entire 75% equity interest in 深圳市天利安實業發展有限公司 ("天利安"), a non-wholly owned subsidiary of the Group, together with the related shareholder loan and the amount due from a minority shareholder, to the third party at an aggregate consideration of RMB99,900,000 (equivalent to HK\$96,058,000). The assets and liabilities related to 天利安, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the balance sheet.

#### 14. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

The major classes of assets and liabilities associated with the disposal group classified as held for sale are as follows:

	<b>30.6.2006</b> <b>HK\$'000</b>
Investment property	<b>80,953</b>
Construction in progress	<b>48,046</b>
Debtors, deposits and prepayments	<b>614</b>
Amount due from a minority shareholder	<b>4,805</b>
Bank balance and cash	<b>4</b>
	<hr/>
Total assets classified as held for sale	<b>134,422</b>
	<hr/> <hr/>
Creditors and accrued charges	<b>24,617</b>
Deposit received	<b>30,027</b>
Deferred tax liability	<b>5,391</b>
	<hr/>
Liabilities associated with assets classified as held for sale	<b>60,035</b>
	<hr/> <hr/>
Estimated net assets value of the disposal group attributable to the Group	<b>82,811</b>
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## 15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2006 and 31 December 2005	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2005 and 30 June 2005	301,755,547	3,018
Repurchase of shares	(4,276,000)	(43)
At 31 December 2005 and 1 January 2006	297,479,547	2,975
Repurchase of shares	(11,856,000)	(119)
<b>At 30 June 2006</b>	<b>285,623,547</b>	<b>2,856</b>

## 16. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to banks and securities houses to secure short term credit facilities granted to the Group:

	<b>30.6.2006</b>	31.12.2005
	<b>HK\$'000</b>	HK\$'000
Investment properties	<b>22,100</b>	22,100
Investments held for trading	<b>1,183,168</b>	737,033
Available-for-sale investments	<b>45,369</b>	19,272
Bank deposits	<b>10,702</b>	10,526
	<b>1,261,339</b>	788,931

## 17. CAPITAL COMMITMENTS

As at 30 June 2006, the Group was committed to capital expenditure of HK\$14,716,000 (31.12.2005: HK\$14,716,000) for the purchase of a leasehold property.

## INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of HK\$0.01 (2005: HK\$0.01) per share amounting to approximately HK\$2,856,000 to shareholders whose names appear on the Register of Members of the Company on 26 October 2006. Dividend warrants are expected to be dispatched on or before 10 November 2006.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 24 October 2006 to Thursday, 26 October 2006, both days inclusive, during which no share transfer will be effected.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the six months ended 30 June 2006, the Group's turnover increased by 544% to HK\$543,808,000 (2005: HK\$84,413,000) and net profit attributable to shareholders of the Company increased by 1,553% to HK\$603,396,000 (2005: HK\$36,498,000) mainly due to a substantial increase in our securities trading and investment activities. Compared to the net profit, the earnings per share of the Company increased by an even larger scale of 1,617% to HK\$2.06 (2005: HK\$0.12) as a result of the Group's share repurchase programme.

As at 30 June 2006, the Group's net asset value per share was HK\$7.40 (2005: HK\$4.10).

### BUSINESS REVIEW ON OPERATIONS

For the first half of 2006, the Group's mobile handset distribution business under Star Telecom Limited ("STAR") saw a drop in turnover to HK\$31,432,000 (2005: HK\$43,601,000) and a loss of HK\$4,580,000 (2005: Loss of HK\$940,000). STAR had to operate in an extremely competitive business environment due to aggressive pricing caused by the intense rivalry for market share among major brands and other Korean brands. Furthermore, the delays in launching of new 3G mobile handset models by our vendors also adversely affected the sales volume and profit margin of STAR. In response to the frequent price adjustments by major brands, STAR had implemented a much stricter control on the quantity for each handset model carried to minimize the inventory risk and facilitate the clearance of any slow moving stock. The Group had also entered into an arrangement with LG to handle the distribution of their mobile handsets to selected dealers.

On the trading and investment in financial instruments, the Group achieved a turnover of HK\$506,932,000 (2005: HK\$31,857,000) and a profit of HK\$633,168,000 (2005: HK\$35,697,000) for the period ended 30 June 2006. Although the Hong Kong stock market had been quite volatile, the Group managed to dispose of 70,000,000 shares of Tian An China Investments Company Limited in March 2006, generating cash proceeds of HK\$257,600,000 for the Group.

During the period under review, the Group's money lending business contributed a turnover comprising mainly interest income of HK\$3,683,000 (2005: HK\$7,562,000), and achieved a profit of HK\$3,950,000 (2005: HK\$7,558,000) which included the write back of a provision for bank charges.

The Group's investment properties located in Hong Kong and the People's Republic of China ("China") recorded a turnover of HK\$1,761,000 (2005: HK\$1,393,000) and a loss of HK\$402,000 (2005: Profit of HK\$282,000) during the first half of 2006. As reported in the Company's 2005 Annual Report, in light of the continued austerity measures introduced by the government of China to curb the heated property market, the Group decided to unwind our investment in an investment property located at Buji Town in Shenzhen, China, by entering into a conditional framework agreement with a third party to dispose of our entire interest for a total consideration of RMB99,900,000 (the "Disposal"). A deposit of RMB31,220,000 has been received, with the remaining balance of RMB68,680,000 payable within six months from the completion date bearing interest at the rate of 1% per month. Due to certain technical issues, the completion date of the Disposal has been extended to 23 September 2006.

## **FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES**

The Group continued to maintain a strong financial position. As at 30 June 2006, after the reclassification of certain non-current assets associated with the Disposal to current assets, the Group's non-current assets consisted mainly of investment properties of HK\$55,619,000 (31 December 2005: HK\$136,526,000); property, plant and equipment of HK\$4,229,000 (31 December 2005: HK\$51,825,000); prepaid lease payments of HK\$2,453,000 (31 December 2005: HK\$2,483,000) and long term investments of HK\$490,967,000 (31 December 2005: HK\$258,438,000). These non-current assets were principally financed by shareholders' funds. As at 30 June 2006, the Group had net current assets of HK\$1,589,569,000 (31 December 2005: HK\$857,849,000) and current ratio of 7.2 times (31 December 2005: 6.8 times) calculated on the basis of the Group's current assets over current liabilities.

All the Group's borrowings are arranged on a short term basis in Hong Kong Dollars, repayable within one year and secured on certain investment properties, marketable securities and bank deposits. As at 30 June 2006, the Group had borrowings of HK\$162,404,000 (31 December 2005: HK\$100,986,000) and a gearing ratio of 5.0 % (31 December 2005: 6.6%), calculated on the basis of the Group's net borrowings (after cash and bank balances) over shareholders' fund.

During the first half of 2006, the issued share capital of the Company has been reduced from HK\$2,974,795 to HK\$2,856,235 as a result of the repurchase of 11,856,000 shares (par value HK\$0.01 each) for cancellation in the stock market for an aggregate consideration of HK\$35,849,440.

During the period under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Australian Dollar, Renminbi ("RMB") and Malaysian Ringgit. Because of its short term nature, the Group had not actively hedged risks arising from the Australian Dollar denominated assets and transactions. As the exchange rates of the RMB and the Malaysian Ringgit were relatively stable during the period, the Group was not materially affected by these foreign exchange exposures.

## **CHARGE ON GROUP ASSETS**

As at 30 June 2006, the Group's investment properties, investments held for trading, available-for sale investments, bank balances and cash with respective carrying values of HK\$22,100,000 (31 December 2005: HK\$22,100,000), HK\$1,183,168,000 (31 December 2005: HK\$737,033,000), HK\$45,369,000 (31 December 2005: HK\$19,272,000) and HK\$10,702,000 (31 December 2005: HK\$10,526,000) were pledged to financial institutions to secure short term credit facilities granted to the Group.

## **EMPLOYEES**

The Group had 33 employees as at 30 June 2006 (31 December 2005: 32). The Group ensures that its employees are remunerated in line with market conditions and individual performance and our remuneration policies are reviewed on a regular basis.

## **PROSPECTS**

To widen its product portfolio, STAR is currently negotiating with more manufacturers for the distributorship of their mobile handsets, PDA phones and other digital products. Further, it is also exploring the possibility of expanding its mobile handsets trading business to other geographical areas outside Hong Kong and Macau SAR in order to widen the revenue stream. Currently, STAR is the authorized distributor of NEC, BenQ-Siemens, Pantech and LG mobile handsets in the Hong Kong and Macau SAR regions.

The Group is conscious of the current uncertainty of the outlook of the financial markets and economic sentiments caused by the concerns over local and global interest rates hikes, increasing oil price due to regional tensions and the impact of China's economic tightening policies. These concerns may have an unfavorable impact on the financial markets which, in turn, may affect the Group's performance in the second half of 2006. However, the Group will monitor such situation closely in order to avoid or minimize such adverse impact.

The Group will continue to seek business and investment opportunities in China, Hong Kong and the Asia Pacific region cautiously to further improve profitability and enhance shareholders' value.



## INTEREST OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2006, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

### Long position in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.01 each				Total	Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests		
Ms. Chong Sok Un ("Ms. Chong")	–	–	106,512,400	–	106,512,400	37.29%

*Note:* As at 30 June 2006, Vigor Online Offshore Limited ("Vigor Online"), a 67.7% owned subsidiary of China Spirit Limited ("China Spirit") and Bilistyle Investments Limited ("Bilistyle") held 105,248,000 and 1,264,400 ordinary shares of the Company respectively. Ms. Chong maintains 100% beneficial interests in both China Spirit and Bilistyle. Accordingly, Ms. Chong is deemed to have corporate interests in 106,512,400 ordinary shares of the Company.

Subsequent to the period end date, Vigor Online became a wholly owned subsidiary of China Spirit on 10 July 2006.

Save as disclosed above, as at 30 June 2006, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company or any other body corporate.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:–

### Long position in the shares of the Company

Name	Capacity	Number of shares held	Percentage held
Ms. Chong	Held by controlled corporation (Notes 1 & 2)	106,512,400	37.29%
China Spirit	Held by controlled corporation (Note 2)	105,248,000	36.85%
Vigor Online	Beneficial owner	105,248,000	36.85%

Notes:

- As at 30 June 2006, Bilistyle held 1,264,400 ordinary shares of the Company and Ms. Chong maintains 100% beneficial interest in Bilistyle. Accordingly, Ms. Chong is deemed to be interested in 1,264,400 ordinary shares of the Company under the SFO.
- As at 30 June 2006, Vigor Online is a 67.7% owned subsidiary of China Spirit in which Ms. Chong maintains 100% beneficial interest. Accordingly, China Spirit and Ms. Chong are deemed to be interested in 105,248,000 ordinary shares of the Company under the SFO.

Subsequent to the period end date, Vigor Online became a wholly owned subsidiary of China Spirit on 10 July 2006.

Save as disclosed above, as at 30 June 2006, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the period, the Company repurchased on the Stock Exchange a total of 11,856,000 shares in the range from HK\$1.25 to HK\$3.325 for a total consideration of HK\$35,849,440. The said shares were subsequently cancelled.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the period.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Directors believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. Throughout the period ended 30 June 2006, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Director's securities transactions. Having made specific enquiries of all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30 June 2006.

By Order of the Board

**Chong Sok Un**

*Chairman*

Hong Kong, 13 September 2006

As at the date of this report, the Board comprises Ms. Chong Sok Un (Chairman), Dato' Wong Peng Chong and Mr. Kong Muk Yin as executive directors and Messrs. Lo Wai On, Lau Siu Ki and Yu Qi Hao as independent non-executive directors.