

# ORIENTAL INVESTMENT CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

## Interim Results for the six months ended 31 October 2003

### RESULTS

The Board of Directors (the “Directors”) of Oriental Investment Corporation Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2003 together with the comparative figures for corresponding period as follows: –

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2003

	Notes	2003 Unaudited HK\$'000	2002 Unaudited HK\$'000
<b>TURNOVER</b>	2	–	135,751
Cost of sales		–	(125,798)
Gross profit		–	9,953
Other revenue		1	1,268
Selling and distribution costs		–	(2,677)
Administrative expenses		(6,535)	(8,203)
Other operating expenses		(1,486)	–
<b>(LOSS)/PROFIT FROM OPERATING ACTIVITIES</b>	3	(4,692)	–
Continuing operations		(3,328)	341
Discontinued operations		(8,020)	341
Finance costs		–	(1,352)
Gain on disposal of interest in a subsidiary company	6	2,850	–
Share of profit/(loss) of jointly-controlled entity		–	4,815
<b>(LOSS)/PROFIT BEFORE TAX</b>		(5,170)	3,804
Tax	4	–	(1,589)
<b>(LOSS)/PROFIT BEFORE MINORITY INTERESTS</b>		(5,170)	2,215
Minority interests		–	(1,045)
<b>NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(5,170)</b>	<b>1,170</b>
<b>(LOSS)/EARNINGS PER SHARE</b>	5		
Basic		<b>HK(0.27) cents</b>	<b>HK0.06 cents</b>
Diluted		<b>N/A</b>	<b>N/A</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>31 October 2003</b>	30 April 2003
	Notes	<b>Unaudited HK\$'000</b>	Audited HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>300</b>	315
Intangible assets		–	21,037
Interest in an associate company		<b>6,000</b>	–
Investment in securities – investment securities		<b>700</b>	700
Deposit on property under development		<b>31,000</b>	31,000
		<b>38,000</b>	53,052
<b>CURRENT ASSETS</b>			
Inventories		<b>1,015</b>	1,015
Accounts and bills receivable	8	<b>10,409</b>	15,854
Prepayments, deposits and other receivables		<b>63,238</b>	62,569
Pledged bank deposits		<b>500</b>	500
Cash and bank balances		<b>6,633</b>	2,372
		<b>81,795</b>	82,310
<b>CURRENT LIABILITIES</b>			
Accounts payable	9	<b>3,836</b>	3,836
Accrued liabilities and other payables		<b>2,955</b>	4,555
Due to minority interest of a subsidiary		–	8,797
Tax payable		<b>4,281</b>	4,281
		<b>11,072</b>	21,469
<b>NET CURRENT ASSETS</b>			
		<b>70,723</b>	60,841
		<b>108,723</b>	113,893
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>192,002</b>	192,002
Reserves	11	<b>(83,279)</b>	(78,109)
		<b>108,723</b>	113,893

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2003

	<b>Issued capital Unaudited 2003 HK\$'000</b>	<b>Reserves Unaudited 2003 HK\$'000</b>	<b>Total Unaudited 2003 HK\$'000</b>
Total shareholders' equity as at 1st May 2003	<b>192,002</b>	<b>(78,109)</b>	<b>113,893</b>
Net (loss)/profit for the period	<u>–</u>	<u>(5,170)</u>	<u>(5,170)</u>
Total shareholders' equity as at 31st October 2003	<b><u>192,002</u></b>	<b><u>(83,279)</u></b>	<b><u>(108,723)</u></b>
	<b>Issued capital Unaudited 2002 HK\$'000</b>	<b>Reserves Unaudited 2002 HK\$'000</b>	<b>Total Unaudited 2002 HK\$'000</b>
Total shareholders' equity as at 1st May 2002	168,000	(72,426)	95,574
Issue of shares during the period	24,000	–	24,000
Net (loss)/profit for the period	<u>–</u>	<u>1,170</u>	<u>1,170</u>
Total shareholders' equity as at 31st October 2002	<b><u>192,000</u></b>	<b><u>(71,256)</u></b>	<b><u>120,744</u></b>

An analysis of the Group's reserves is set out in note 10 to the financial statements.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2003

	<b>2003</b> <b>Unaudited</b> <b>HK\$'000</b>	2002 Unaudited HK\$'000
Net cash inflow/(outflow) from operating activities	<b>(1,239)</b>	(40,295)
Net cash inflow/(outflow) from investing activities	<b>6,000</b>	(47,004)
Net cash inflow/(outflow) from financing activities	–	46,091
	<hr/>	<hr/>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,761</b>	(41,208)
Cash and cash equivalents at beginning of period	<b>2,372</b>	51,830
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>7,133</u></b>	<b><u>10,622</u></b>
	<hr/>	<hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Pledged bank deposits	<b>500</b>	–
Cash and bank balances	<b>6,633</b>	10,622
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<b><u>7,133</u></b>	<b><u>10,622</u></b>

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### (1) Basis of Presentation And Accounting Policies

These interim financial statements are unaudited and have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 30 April 2003, except that the Group has adopted the SAAP 12 (Revised) in relation to deferred tax issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003.

The adoption of the SSAP 12 (Revised) represents a change in accounting policy. However, the adoption of the new revised SSAP has no material effect on the results of the Group in both accounting periods.

### (2) Segmental Information

The Group’s turnover and contribution to profit after finance costs analyzed by principal activity and geographical area of operations, are as follows:

#### (a) Business segments:

	Continuing operations		Discontinued operations		Consolidated
	Property holding	Environmental protection	Processed eels	Eel feeds	
	2003	2003	2003	2003	2003
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales to external customers	-	-	-	-	-
Other revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segment results	<u>(9)</u>	<u>(1,384)</u>	<u>(363)</u>	<u>(2,965)</u>	(4,721)
Unallocated other revenue					1
Unallocated expenses					(3,300)
(Loss)/profit from operating activities					(8,020)
Finance cost					-
Gain on disposal of interest in a subsidiary company					2,850
Share of profit of jointly-controlled entities					-
(Loss)/profit before tax					(5,170)
Tax					-
(Loss)/profit before minority interest					(5,170)
Minority interest					-
Net (loss)/profit attributable to shareholders					<u>(5,170)</u>

	Continuing operations		Discontinued operations		Consolidated
	Property holding 2002	Environmental protection 2002	Processed eels 2002	Eel feeds 2002	
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Sales to external customers	–	–	124,968	10,783	135,751
Other revenue	–	–	1,246	–	1,246
	<u>–</u>	<u>–</u>	<u>126,214</u>	<u>10,783</u>	<u>136,997</u>
Segment results	<u>–</u>	<u>–</u>	<u>4,297</u>	<u>491</u>	4,788
Unallocated other revenue					22
Unallocated expenses					(4,469)
(Loss)/profit from operating activities					341
Finance cost					(1,352)
Gain on disposal of interest in a subsidiary company					–
Share of profit of jointly-controlled entities					4,815
(Loss)/profit before tax					3,804
Tax					(1,589)
(Loss)/profit before minority interest					2,215
Minority interest					(1,045)
Net (loss)/profit attributable to shareholders					<u>1,170</u>

(b) *Geographical segments:*

	Japan		PRC		Consolidated	
	2003	2002	2003	2002	2003	2002
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Sales to external customers	<u>–</u>	<u>124,968</u>	<u>–</u>	<u>10,783</u>	<u>–</u>	<u>135,751</u>
Segment results	<u>–</u>	<u>4,297</u>	<u>(4,721)</u>	<u>491</u>	<u>(4,721)</u>	<u>4,788</u>

**(3) (Loss)/Profit From Operating Activities**

The Group's profit from operating activities is arrived at after charging:

	<b>Six Months ended 31 October</b>	
	<b>2003</b>	2002
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Amortisation of intangible assets	<b>550</b>	–
Depreciation	<b>15</b>	2,038
Share issue expenses	<b>–</b>	153
	<b><u>          </u></b>	<b><u>          </u></b>

**(4) Tax**

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the period (2002: Nil). Provisions for tax of profits of subsidiaries operating in the People's Republic of China (the "PRC") have been calculated at the rates applicable, based on existing legislation, interpretations and practices, during the period.

Group:

	<b>Six Months ended 31 October</b>	
	<b>2003</b>	2002
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
The People's Republic of China, other than Hong Kong	<b>–</b>	1,589
	<b><u>          </u></b>	<b><u>          </u></b>

**(5) (Loss)/Earning Per Share**

The calculation of (loss)/earnings per share is based on the loss attributable to shareholders for the period of HK\$5,170,000 (2002: net profit of HK\$1,170,000) and the 1,920,018,000 (2002: 1,900,002,000) ordinary shares in issue during the period. No diluted loss per share is presented for both current and last period as there are no dilutive potential ordinary shares.

(6) **Disposal of interest in a subsidiary company**

	<b>Six Months ended</b>	
	<b>31 October</b>	
	<b>2003</b>	<b>2002</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net liabilities of the subsidiary disposed of:		
Intangible assets	<b>20,487</b>	–
Amount due to minority shareholders	<b>(8,797)</b>	–
Accrued liabilities and other payable	<b>(1,865)</b>	–
Amount due to group companies	<b>(13,356)</b>	–
	<hr/>	<hr/>
Net liabilities	<b>(3,531)</b>	–
Portion of shareholder's loan due from the subsidiary disposed of	<b>6,681</b>	–
	<hr/>	<hr/>
Net assets disposed	<b>3,150</b>	–
Gain on disposal of interest in a subsidiary company	<b>2,850</b>	–
	<hr/>	<hr/>
Consideration receivable	<b>6,000</b>	–
	<hr/> <hr/>	<hr/> <hr/>

On 21 October 2003, an agreement was concluded between an independent third party and our subsidiary "Oriental Mate Limited" for the disposal of 30% interest in Australian Environmental Protection Technology Holdings Limited "AEPT" together with 50% of the shareholders' loan due from AEPT at a consideration of HK\$6 million.

(7) **Dividend**

The Directors do not recommend the payment of an interim dividend for the period (2002: Nil).

(8) **Accounts and Bills Receivable**

The aged analysis of the Group's accounts and bills receivable is as follows:

	<b>31 October 2003</b>	<b>30 April 2003</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current to three months	–	2,630
Four to six months	<b>955</b>	3,015
Seven to twelve months	<b>1,635</b>	5,140
Over one year	<b>7,819</b>	5,069
	<hr/>	<hr/>
	<b>10,409</b>	<b>15,854</b>
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The Group has a defined credit policy. The general credit terms granted by the Group to customers are normally less than 90 days.



**(9) Accounts Payable**

All the Group's accounts payable were aged within three months as at the current period end and prior year end.

**(10) Share Capital**

	<b>31 October 2003</b> <b>Unaudited</b> <b>HK\$'000</b>	30 April 2003 Audited HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	<u><b>300,000</b></u>	<u>300,000</u>
Issued:		
1,920,018,000 ordinary shares of HK\$0.10 each	<u><b>192,002</b></u>	<u>192,002</u>

*Share Options*

The Company adopted a new share options scheme (the "Scheme") on 31 October 2002. No share options were granted during the period or were outstanding under the Scheme up to the date of this report.

**(11) Reserves**

	<b>Exchange fluctuation reserve</b> <b>Unaudited</b> <b>HK\$'000</b>	<b>Accumulated losses</b> <b>Unaudited</b> <b>HK\$'000</b>	<b>Total</b> <b>Unaudited</b> <b>HK\$'000</b>
At 1 May 2003	30	(78,139)	(78,109)
Loss for the period	<u>—</u>	<u>(5,170)</u>	<u>(5,170)</u>
At 31 October 2003	<u><b>30</b></u>	<u><b>(83,309)</b></u>	<u><b>(83,279)</b></u>

**(12) Post Balance Sheet Event**

At 22 December 2003, the Company entered into an agreement with an independent third party for the disposal of the entire issued capital of the subsidiary "Qixiang International Limited" for a consideration of HK\$12 million which is approximately equivalent to the book value of the subsidiary. Qixiang International Limited holding the plant, facilities and technology in the production of eel feeds.

### (13) Capital Commitment

At 31 October 2003, the capital commitments of the Group not provided for in the financial statements are analysed as followed:

	<b>31 October 2003</b> <b>Unaudited</b> <b>HK\$'000</b>	30 April 2003 Audited HK\$'000
Authorised and contracted for		
– purchase of property under development	<b>9,410</b>	9,410
– capital contributions to a subsidiary registered in the PRC	<b>8,424</b>	16,848
– capital contributions to an associate registered in the PRC	<b>8,190</b>	8,190
	<hr/> <b>26,024</b> <hr/>	<hr/> <b>34,448</b> <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

For the six months ended 31 October 2003, the Group attained a nil turnover period as compared with the HK\$135.8 million turnover of the corresponding period in the previous year. This resulted in a loss attributable to shareholders of HK\$5,170,000 as compared with a profit of HK\$1,170,000 for the corresponding period in last year. Loss per share was HK0.27 cents (2002: HK0.06 cents – earning per share).

As reported in the annual report of year 2003, the Group disposed the subsidiary operating the processed eels manufacturing business on 28 April 2003. The retained trading business in processed eels does not contribute any revenue to the Group as the Government of Japan tightened the health and hygiene requirements for the processed eels that lead to difficulties in concluding sales contracts for high risk of failure in passing the hygiene test in Japan.

After the disposal of the subsidiary engaged in manufacturing of processed eels the Group's bargaining power with the eel farmers has been weakened and the Group has ceased the production of the eel feeds business shortly. The plant and facilities for the production of eel feeds are sold in December 2003 as disclosed under the note relating to post balance sheet event.

The environmental protection business in the PRC is still in the preliminary stage that revenue will not be generated within a reasonable time that the Group has disposed half of the interest in this venture for having part of the funds returned to cope with the financing of future investment.

The property purchased in April 2003 is expected to be available for occupation by the end of 2004 due to delay in construction work.

The board anticipates that the property market in the PRC will continue to be stimulated by factors including continued growth in the PRC economy, particularly in the post-WTO era, continued growth in investment in fixed assets in the PRC. The rapid economic growth in the PRC and the rising disposable income level have created a tremendous local consumption power in demanding for properties in the PRC. The board is also evaluating and exploring viable business and investment opportunities made available to the Group which could be in the long-term interest and benefit of the Company and the shareholders.

The board will continue to focus on developing and investing in property market in the PRC and at the same time, pursuing business opportunities with a view to bringing long-term benefits to its loyal shareholders.

### **Liquidity and Financial Resources**

As at 31 October 2003, the Group had cash and cash equivalent of HK\$7.1 million and there has been no bank borrowings. The Group's net current assets and shareholders' funds as at 31 October 2003 were HK\$70.7 million and HK\$108.7 million respectively. The current ratio was maintained at a healthy level of approximately 740%.

The Group believes its liquid asset and future revenue will be sufficient to fund future expansion and working capital requirements.

### **Employees**

As 31 October 2003, the Group employed a total of approximately 12 employees in Hong Kong and the PRC. The remuneration policy and package of the Group's employees are approved and reviewed by the Board. The remuneration package includes salary, bonus and welfare. For staff in Hong Kong, the Group provides medical insurance and Mandatory Provident Fund retirement benefits.

### **Directors' Interests**

As at 31 October 2003, the interests of the directors and chief executive of the Group or their respective associates in the equity or debt securities of the Company or any of its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:—

<b>Directors</b>	<b>Type of Interests</b>	<b>Number of shares</b>
Mr. Lai Leong	Corporate (Note 1)	980,020,000
Mr. Zhu Yi Cai	Corporate (Note 1)	980,020,000

Notes:

- (1) These Shares were held by Wealth Success Limited, a company beneficially owned as to 28 per cent and 72 per cent by Mr. Lai Leong and Mr. Zhu Yi Cai, respectively.

## Substantial Shareholders

As at 31 October 2003, the register of substantial shareholders maintained by the Company, pursuant to Section 336 of the SFO, showed that the following persons, other than the Directors of the Company, whose interests are disclosed above, had an interest of 5% or more of the nominal value of the issued share capital of the Company carrying right to vote in all circumstances at general meeting of the Company:

Shareholder	Member of the Group	Number of shares	Percentage of voting power
Wealth Success Limited	The Company	980,020,000	51.04%

## Purchase, Sale and Redemption of shares

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 31 October 2003.

## Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group as well as the review of this interim financial statements which have not been audited. The Committee comprises Dr. Chow King Wai and Mr. Chu Kar Wing, two independent Non-Executive Directors.

## Code of Best Practice

In the opinion of Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year.

By Order of the Board

**Lai Leong**  
Chairman

Hong Kong, 29th January 2004