

1. CORPORATE INFORMATION

Oriental Investment Corporation Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda on 27 July 1999 under the Companies Act 1981 of Bermuda (as amended). The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements. In the opinion of the directors, the ultimate holding company of the Company is Wealth Success Limited, a company incorporated in the British Virgin Islands.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

In the current year, the Group has adopted, for the first time, SSAP 12 (revised) "Income taxes" which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised) prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

- (i) deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- (ii) the disclosure of related notes are now more extensive than previously required. The disclosures are presented in notes 11 and 27 to the financial statements and include a reconciliation between the accounting loss and tax expense for the year.

The adoption of SSAP 12 (revised) had no material effect on the results of the Group for the current or prior years. Accordingly, no prior period adjustment is required.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention. A summary of the principal accounting policies adopted by the Group is set out below.

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 April 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(b) Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

(c) Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of its associate is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Investment Securities

Investment securities are listed and unlisted equity securities, which are intended to be held for a continuing strategic or long term purpose.

Investment securities are stated at cost less any impairment loss that is other than temporary. The carrying amounts of individual investments are reviewed at each balance sheet to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

(e) Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation or amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(f) Licence Fee

Licence fee is stated in the balance sheet at cost less accumulated amortisation and impairment loss. Licence fee is amortised on a straight line basis over its estimated useful life of 20 years.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Fixed Assets and Depreciation

Fixed assets other than investment properties are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	9% – 9.5%
Furniture, fixtures and equipment	18% – 25%
Motor vehicles	18% – 19%

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(h) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charges.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the income statement.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payables under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(j) Retirement Benefits Scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance with effect from December 2000. Contributions to the MPF Scheme are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the income statement as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries operated in the People's Republic of China (the "PRC") are members of the Central Pension Scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme. The only obligation for the subsidiaries with respect to the Central Pension Scheme is to meet the required contributions under the Central Pension Scheme.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

(l) Income Tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Income Tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(m) Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) rental income under operating lease, on a straight line basis over the lease terms; and
- (iii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries and associates operating in the PRC and overseas are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

(o) Related Parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(p) Cash Equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and not restricted as to use and which are generally within three months of maturity when acquired.

(q) Provisions and Contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote; A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) Continuing operations

- (i) The property investment segment engages in the property investment and letting.
- (ii) General trading segment engages in trading of electronic products.
- (iii) The environmental protection segment engages in the development of technology in the environmental protection industry.

(b) Discontinuing operations

- (i) The processed eels segment engaged in the manufacture and sale of processed eels.
- (ii) The eel feeds segment engages in the manufacture and sale of eel feeds;

Details of the discontinuing operations are set out in note 6 to the financial statements.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present information on revenue, expenditure, results and certain assets and liabilities relating to the business segments of the Group.

Group

	Continuing operations								Discontinuing operations				Consolidated	
	Investment holding		General trading		Property investment		Environmental protection		Processed eels		Eel feeds		2004	2003
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:														
Sales to external customers	-	-	1,514	-	-	-	-	-	-	274,673	-	14,615	1,514	289,288
Other revenue	3,525	-	-	-	81	-	-	-	-	2,757	2,680	3	6,286	2,760
Total	3,525	-	1,514	-	81	-	-	-	-	277,430	2,680	14,618	7,800	292,048
Segment results	(23,555)	(9,061)	31	-	63	(12)	(1,380)	(2,159)	-	(19,568)	(638)	(5,420)	(25,479)	(36,220)
Interest income and unallocated revenue/gains														
- segment	-	-	-	-	-	-	-	-	-	1,874	1	-	1	1,874
- corporate													-	154
Provision for amount due from a former subsidiary													-	(33,000)
Loss from operating activities													(25,478)	(67,192)
Finance costs													-	(3,079)
Share of profit of a joint venture													-	5,200
Gain on disposals of subsidiaries													3,335	60,101
Loss before tax													(22,143)	(4,970)
Tax													(5)	-
Loss before minority interests													(22,148)	(4,970)
Minority interests													-	3
Net loss from ordinary activities attributable to shareholders													(22,148)	(4,967)
Segment assets	51,271	64,225	882	-	42,627	31,200	-	21,037	-	-	-	18,700	94,780	135,162
Unallocated assets													200	200
Total assets													94,980	135,362
Segment liabilities	1,442	4,696	830	-	342	6	-	9,994	-	-	-	6,773	2,614	21,469
Unallocated liabilities													5	-
Total liabilities													2,619	21,469
Other segment information														
Depreciation and amortisation														
- segment	20	-	-	-	-	-	550	963	-	4,226	4	56	574	5,245
- corporate													-	53
Capital expenditure													574	5,298
- segment	38,000	-	-	-	13,298	-	-	22,000	-	1,630	-	-	51,298	23,630
- corporate													-	45
Gain on disposal of fixed assets													51,298	23,675
- segment	-	-	-	-	-	-	-	-	-	(68)	-	-	-	(68)
- corporate													-	-
Provision for trade receivable	-	-	-	-	-	-	-	-	-	43	2,935	4,510	2,935	4,553
Provision for other receivables													10,466	33,000
Provision for amount due from an associate	6,681	-	-	-	-	-	-	-	-	-	-	-	6,681	-

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, results and certain asset and expenditure information for the Group's geographical segments.

Group

	Japan		Taiwan		PRC		Hong Kong		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:										
Sales to external customers	-	271,436	873	-	-	16,714	641	1,138	1,514	289,288
Segment results	-	(19,336)	26	-	(4,247)	(6,623)	(21,258)	(10,261)	(25,479)	(36,220)

	Taiwan		PRC		Hong Kong		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Other segment information:								
Segment assets	873	-	53,089	70,937	41,018	64,425	94,980	135,362
Capital expenditure	-	-	13,298	23,630	38,000	45	51,298	23,675

5. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2004	2003
	HK\$'000	HK\$'000
Turnover		
Sales of electronic products	1,514	–
Sales of processed eels	–	274,673
Sales of eels feeds	–	14,615
	1,514	289,288
Other revenue		
Interest income	1	234
Sundry income	–	2,692
Exchange gain, net	–	1,794
Gross rental income from investment properties	81	–
Written back of provision for other receivables	6,005	–
Reverse of impairment loss on investment in securities	200	–
Gain on disposal of fixed assets	–	68
	6,287	4,788
Total revenue	7,801	294,076

6. DISCONTINUING OPERATIONS

On 22 December 2003, the Group entered into an agreement to dispose of its entire 100% equity interest in a group of subsidiaries, Qixiang International Limited and its subsidiaries, which were engaged in the operation of eels feeds in the PRC for a consideration of HK\$12,000,000.

A summary of the financial information of the discontinuing operations is as follows:

	Eel feeds operations		Processed eels operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Total assets	21,819	117,228	–	161,563
Total liabilities	43,606	101,143	–	209,482
Turnover	–	14,615	–	274,673
Cost of sales	–	(13,513)	–	(286,716)
Gross profit/(loss)	–	1,102	–	(12,043)
Other revenue	2,681	3	–	4,631
Selling and distribution costs	–	(517)	–	(3,731)
Administrative expenses	(383)	(1,498)	–	(6,508)
Other operating expenses	(2,935)	(4,510)	–	(43)
Loss from operating activities	(637)	(5,420)	–	(17,694)
Finance costs	–	–	–	(3,079)
Gain on disposal of a subsidiary	–	60,101	–	–
(Loss)/profit before tax	(637)	54,681	–	(20,773)
Tax	–	–	–	–
(Loss)/profit for the year	(637)	54,681	–	(20,773)

The Group recorded a gain of approximately HK\$486,000 (2003: HK\$60,101,000) on disposal of the discontinuing operations, which is included in the gain on disposals of subsidiaries.

7. OTHER OPERATING EXPENSES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Provision for amount due from an associate	6,681	–
Provision for trade receivables	2,935	4,553
Provision for other receivables	10,466	33,000
Provision for impairment in investment securities	–	1,300
Amortisation of licence fee	550	963
Share issue expenses	–	157
	20,632	39,973

8. LOSS FROM OPERATING ACTIVITIES

The loss from operating activities is arrived at after charging the following:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Auditors' remuneration	470	562
Cost of inventories sold	1,465	300,227
Depreciation	24	4,335
Minimum lease payments under operating leases in respect of land and buildings	1,127	2,388
Staff costs (excluding directors' remuneration - note 10):		
Wages and salaries	2,412	12,853
Pension contributions	77	81
	2,489	12,934

The cost of inventories sold includes approximately HK\$Nil (2003: HK\$13,305,000) relating to staff costs, rental expenses and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. FINANCE COSTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank borrowings	–	3,079
	<u> </u>	<u> </u>

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS**(a) Directors' remuneration**

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is analysed as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Executive directors:		
Fees	–	–
Other emoluments		
– Salaries and allowances	828	–
	<u> </u>	<u> </u>
	828	–
Independent non-executive directors:		
Fees	120	90
	<u> </u>	<u> </u>
	948	90
	<u> </u>	<u> </u>

The non-executive directors received no fees or other emoluments for their services rendered to the Group during the year. (2003: HK\$: Nil).

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	8	11
	<u> </u>	<u> </u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2003: Nil).

During the year, no share options were granted to the directors in respect of their services to the Group.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)**(b) Five highest paid individuals**

One director (2003: Nil) was included in the five highest paid individuals during the year, details of whose remuneration are set out above. Details of the remuneration of the remaining four non-director (2003: five), highest paid individuals are set out below:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	1,331	1,461
Pension contributions	43	63
	1,374	1,524

The number of individuals whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2004	2003
Nil - HK\$1,000,000	4	5

11. TAXATION

Hong Kong profit tax is provided at 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

In accordance with the applicable enterprise income tax law of the PRC, Fuzhou Development Zone Sanhua Feed Co., Ltd. ("Fuzhou Sanhua"), Sanhua Feed Co., Ltd. Longyan ("Longyan Sanhua"), Guilin Sanhua Forage Co., Ltd. ("Guilin Sanhua") and Jiangxi Shangrao Sanhua Forage Co., Ltd. ("Jiangxi Sanhua") (collectively referred to as the "Eel Feed companies"), were exempted from the enterprise income tax for their first two profitable years of operation from 1 January 1999 and were entitled to a 50% relief from the enterprise income tax that would otherwise be charged for the succeeding three years. In accordance with the applicable tax rates in the locations of registration of the Eel Feed companies, the enterprise income tax rate applicable to Fuzhou Sanhua and Longyan Sanhua was 24%, while the enterprise income tax rate applicable to Guilin Sanhua and Jiangxi Sanhua was 33%.

11. TAXATION (continued)

No provision for enterprise income tax was made for the Group's PRC subsidiaries as they did not generate any assessable profits arising in the PRC during the year. The Group's PRC subsidiaries were disposed of on 22 December 2003.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax provided for the year	5	–
Deferred tax	–	–
	5	–

A reconciliation between tax expense and accounting loss at applicable tax rate is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss before tax	(22,143)	(4,970)
Calculated at a taxation rate of 17.5%	(3,875)	(870)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(192)	240
Tax effect of non-deductible items for tax purposes	3,785	6,421
Tax effect of non-taxable income	(481)	(10,103)
Tax effect of tax losses not recognised	768	4,308
Unrecognised temporary difference	–	4
Tax charge	5	–

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year is approximately HK\$24,070,000 (2003: HK\$8,896,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$22,148,000 (2003: HK\$4,967,000) and the weighted average of 1,920,018,000 (2003: 1,881,872,137) ordinary shares in issue during the year.

There was no dilution effect on the basic loss per share for the years ended 30 April 2004 and 2003 as there were no dilutive shares outstanding during the years ended 30 April 2004 and 2003.

14. INTANGIBLE ASSETS**Group**

Licence fee
HK\$'000

Cost

At 1 May 2003	22,000
Disposal of subsidiaries	(22,000)
<hr/>	
At 30 April 2004	–

Amortisation

At 1 May 2003	963
Charge for the year	550
Disposal of subsidiaries	(1,513)
<hr/>	
At 30 April 2004	–

Net book value

At 30 April 2004	–
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At 30 April 2003	21,037
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15. FIXED ASSETS**Group**

	Investment properties	Plant and machinery	Furniture fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation					
At 1 May 2003	–	653	318	418	1,389
Additions	11,399	–	–	–	11,399
Surplus on revaluation	646	–	–	–	646
Disposal of subsidiaries	–	(653)	(237)	(418)	(1,308)
At 30 April 2004	12,045	–	81	–	12,126
Accumulated depreciation					
At 1 May 2003	–	456	241	377	1,074
Charge for the year	–	–	24	–	24
Disposal of subsidiaries	–	(456)	(215)	(377)	(1,048)
At 30 April 2004	–	–	50	–	50
Net book value					
At 30 April 2004	12,045	–	31	–	12,076
At 30 April 2003	–	197	77	41	315

15. FIXED ASSETS (continued)**Company**

	Office equipment
	<i>HK\$'000</i>
Cost	
At 1 May 2003 and 30 April 2004	81
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Accumulated depreciation	
At 1 May 2003	30
Charge for the year	20
<hr/>	
At 30 April 2004	50
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Net book value	
At 30 April 2004	31
	<hr/> <hr/>
At 30 April 2003	51
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The investment properties were held in the PRC on medium-term leases and revalued by an independent firm of chartered surveyors, on an open market value basis, based on their existing use, as at 28 February 2004. In the opinion of the directors, there was no material difference on the open market value of the investment properties as at 30 April 2004 and 28 February 2004.

The investment properties were leased to a third party under operating lease, further summary details of which are included in note 30(a) to the financial statements.

15. FIXED ASSETS (continued)

An analysis of cost and valuation of the Group's fixed assets is as follows:

	Investment properties	Plant and machinery	Furniture fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 April 2004					
– At valuation	12,045	–	–	–	12,045
– At cost	–	–	81	–	81
	<u>12,045</u>	<u>–</u>	<u>81</u>	<u>–</u>	<u>12,126</u>
At 30 April 2003					
– At cost	–	653	318	418	1,389
	<u>–</u>	<u>653</u>	<u>318</u>	<u>418</u>	<u>1,389</u>

16. INTEREST IN SUBSIDIARIES

	Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	166	70,018
Due from subsidiaries	92,747	130,019
Due to a subsidiary	(2)	–
	<u>92,911</u>	200,037
Less: Provisions for impairment	(14,400)	(91,204)
	<u>78,511</u>	<u>108,833</u>

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. INTEREST IN SUBSIDIARIES (continued)

Particulars of the subsidiaries as at 30 April 2004 are as follows:

Name	Place of incorporation/ operations	Issued and fully paid ordinary share capital	Equity interests attributable to the Company	Principal activities
Directly held				
Oriental Target Limited	British Virgin Islands	US\$10,000	100%	Investment holding
Oriental Merit Limited	British Virgin Islands/the PRC	US\$1	100%	Property Investment
Sincere Vantage Limited	British Virgin Islands	US\$1	100%	Investment holding
Oriental Mate Limited	British Virgin Islands	US\$10,000	100%	Investment holding
Sunny Apex Limited	Hong Kong	HK\$10,000	100%	Dormant
Sincere Land Limited	British Virgin Islands	US\$1	100%	Investment holding
Dragon Eagle Limited	British Virgin Islands	US\$1	100%	Investment holding
Indirectly held				
Wealth Vantage Limited	British Virgin Islands/the PRC	US\$1	100%	Property investment
Oriental Talent Limited	Hong Kong	HK\$2	100%	General trading

17. DEPOSIT ON PROPERTY UNDER DEVELOPMENT

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Balance brought forward	31,000	–
Additions	1,899	31,000
Balance carried forward	32,899	31,000

The amount represents payments made by the Group to acquire a commercial property project located in Guangzhou, Guangdong Province, the PRC (the "Guangdong Property"). Pursuant to a sales and purchase agreement dated 8 October 2002 entered between the developer and a wholly-owned subsidiary of the Group, namely Wealth Vantage Limited ("Wealth Vantage"), the developer was to deliver the Guangdong Property prior to 31 December 2003. However, the Guangdong Property is now still under development.

On 14 April 2004, the developer issued a letter to Wealth Vantage pursuant to which the developer agreed to deliver the Guangdong Property to Wealth Vantage by the end of June 2005. In addition, the developer agreed to reduce the outstanding balance of consideration payable by Wealth Vantage for acquisition of the Guangdong Property from RMB10 million to RMB2 million as a result of the delay in delivering the Guangdong Property. After the payment of RMB2 million, the Group has fully paid the consideration in respect of the acquisition of the Guangdong Property.

The Guangdong Property is held under a land use right for a period of 40 years commencing on 14 August 1995 in the PRC. Based on the valuation report issued by an firm of chartered surveyors, the open market value of the Guangdong Property was RMB40 million as at 31 March 2004. Therefore, the directors considered that no provision for impairment loss is necessary notwithstanding the delay in completing the development.

18. INTEREST IN ASSOCIATES

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net assets	–	–
Amount due from an associate	6,681	–
Less: Provision for impairment	(6,681)	–
Total	–	–

18. INTEREST IN ASSOCIATES (continued)

Particulars of the principal associate as at 30 April 2004 are as follows:

Name of company	Place of incorporation and operations	Issued and fully paid ordinary share capital	Attributable equity interests to the Company	Principal activity
Australian Environmental Protection Technology Holdings Ltd.	British Virgin Islands	US\$1,000	30%	Investment holding and engaged in environmental protection business

On 21 October 2003, the Group entered into an agreement to dispose of 30% equity interest in a subsidiary, Australian Environmental Protection Technology Holdings Ltd. which was engaged in investment holding and in the operation of environmental protection for a consideration of HK\$6,000,000. After the disposal, the subsidiary became an associate of the Group.

19. INVESTMENT IN SECURITIES

	Group		Company	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Investment securities				
Listed shares in Hong Kong, at cost	2,000	2,000	2,000	2,000
Unlisted shares, at cost	7,533	–	–	–
	9,533	2,000	2,000	2,000
Less: Provision for impairment	(1,100)	(1,300)	(1,100)	(1,300)
	8,433	700	900	700
Due from an investee company	30,467	–	–	–
	38,900	700	900	700
Market value of listed investments	900	700	900	700

The amount due from an investee company was unsecured, interest free and had no fixed terms of repayment.

20. INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	–	784
Finished goods	–	231
	–	1,015
	<u>–</u>	<u>1,015</u>

All the inventories are stated at cost.

21. TRADE AND BILLS RECEIVABLE

The aged analysis of the trade and bills receivable is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current to 3 months	873	2,630
4 to 6 months	–	3,015
7 to 12 months	–	5,140
Over one year	–	5,069
	873	15,854
	<u>873</u>	<u>15,854</u>

The credit terms granted by the Group to customers are normally less than 90 days. Provision for doubtful debts was made and thereafter written off when collection of the full amount was no longer probable. Bad debts are written off as incurred.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 30 April 2004, included in prepayments, deposits and other receivables were net amount due from a former subsidiary of HK\$Nil (2003: HK\$46,172,000).

The amount was unsecured, interest free and had no fixed terms of repayment.

23. TRADE PAYABLE

The aging analysis of the trade payable is as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current to 3 months	830	156
4 to 6 months	–	1,662
7 to 12 months	–	1,295
Over one year	–	723
	830	3,836

24. DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder was unsecured, interest-free and had no fixed terms of repayment.

25. SHARE CAPITAL

	2004		2003	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	3,000,000	300,000	3,000,000	300,000
Issued and fully paid:				
At 1 May	1,920,018	192,002	1,680,002	168,000
Subscription of shares (<i>Note a</i>)	–	–	240,000	24,000
Issue of shares through exercise of warrants (<i>Note b</i>)	–	–	16	2
At 30 April	1,920,018	192,002	1,920,018	192,002

25. SHARE CAPITAL (continued)

Notes:

- a) Pursuant to a placing agreement dated 14 June 2002, a total of 240,000,000 ordinary shares of HK\$0.10 each of the Company were issued to independent investors at an issue price of HK\$0.10 per share for total cash proceeds, before related expenses, of approximately HK\$24,000,000. The subscription was completed on 28 June 2002.
- b) During the year ended 30 April 2003, 16,000 warrants were exercised by warrant holders at a subscription price of HK\$0.13 per share for total cash proceeds of HK\$2,080, resulting in the issue of 16,000 new shares of HK\$0.1 each.

26. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Company to grant options to eligible participants, thereby as an incentive or rewards for their contribution to the Group. Eligible participants of the Scheme include the directors, employees, suppliers, customers and shareholders of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for ten years from date of adoption to 31 October 2012.

Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK\$1.00 received by the Company. The exercise period of the share options granted is determinable by the Directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the Directors, but in any case must be in the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. As at 30 April 2004 and 2003, no option has been issued under the Scheme.

27. DEFERRED TAXATION

The Group has tax losses arising in Hong Kong and Mainland China of approximately HK\$Nil (2003: HK\$19,434,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as these companies have been loss-making for some years.

28. RESERVES**Group**

	Investment property revaluation reserve	Asset revaluation reserve	Exchange fluctuation reserve	Capital Accumulated		Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	reserve	losses	<i>HK\$'000</i>
At 1 May 2002	–	3,405	(2,693)	34	(73,172)	(72,426)
Realisation on disposal of a subsidiary	–	(3,405)	2,723	(34)	–	(716)
Net loss for the year	–	–	–	–	(4,967)	(4,967)
At 30 April 2003	<u>–</u>	<u>–</u>	<u>30</u>	<u>–</u>	<u>(78,139)</u>	<u>(78,109)</u>
At 1 May 2003	–	–	30	–	(78,139)	(78,109)
Realisation on disposal of subsidiaries	–	–	(30)	–	–	(30)
Surplus on revaluation of investment properties	646	–	–	–	–	646
Net loss the year	–	–	–	–	(22,148)	(22,148)
At 30 April 2004	<u>646</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(100,287)</u>	<u>(99,641)</u>

Company

	Accumulated losses
	<i>HK\$'000</i>
At 1 May 2002	(72,426)
Net loss for the year	(8,896)
At 30 April 2003	<u>(81,322)</u>
At 1 May 2003	(81,322)
Net loss for the year	(24,070)
At 30 April 2004	<u>(105,392)</u>

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of loss from operating activities to net cash inflow/(outflow) from operating activities**

	2004	2003
	HK\$'000	HK\$'000
Loss from operating activities	(25,478)	(67,192)
Interest income	(1)	(234)
Depreciation	24	4,335
Amortisation of licence fee	550	963
Gain on disposal of fixed assets	–	(68)
Provision for trade receivable	2,935	4,553
Provision for other receivables	10,466	33,000
Provision for impairment in investment securities	–	1,300
Share issue expenses	–	157
Written back of provision for other receivables	(6,005)	–
Written back of impairment loss on investment securities	(200)	–
Provision for amount due from an associate	6,681	–
<hr/>		
Operating loss before working capital changes	(11,028)	(23,186)
<hr/>		
Increase in amount due from an investee company	(30,467)	–
Decrease in inventories	–	2,879
Decrease/(increase) in trade and bills receivable	1,637	(9,937)
Decrease/(increase) in prepayments, deposits and other receivables	52,273	(40,809)
Increase/(decrease) in trade payable	830	(3,500)
Increase in accrued liabilities and other payables	1,251	18,617
<hr/>		
Cash inflow/(outflow) from operations	14,496	(55,936)
<hr/>		
Interest paid	–	(3,079)
<hr/>		
Net cash inflow/(outflow) from operating activities	14,496	(59,015)

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Acquisition of a subsidiary**

	2004	2003
	HK\$'000	HK\$'000
Net assets acquired of:		
Intangible assets - licence fee	–	22,000
Due to minority interests	–	(21,992)
Amount attributable to minority interests	–	(3)
	<hr/>	<hr/>
Net assets	–	5
	<hr/> <hr/>	<hr/> <hr/>
Consideration satisfied by:		
Cash	–	5
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary company		
Cash consideration paid	–	5
	<hr/> <hr/>	<hr/> <hr/>

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposals of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets/(liabilities) disposed of:		
Intangible assets	20,487	–
Fixed assets	260	29,931
Properties under development	–	1,740
Security deposit under rental agreement	–	14,115
Inventories, net of provision of obsolete stocks	1,015	56,588
Trade and bills receivable	10,409	11,585
Prepayment, deposit and other receivables	3,884	45,004
Pledged bank deposits	321	642
Cash and bank balances	5,930	1,958
Trade and bill payable	(3,836)	(18,356)
Accrued liabilities and other payables	(4,022)	(24,404)
Due to a minority shareholder	(8,797)	–
Short term bank loans	–	(88,020)
Tax payable	(4,281)	(1,901)
Amount due to group companies	(6,675)	(76,801)
	14,695	(47,919)
Reserves released:		
Exchange fluctuation reserve	(30)	2,723
Capital reserve	–	(34)
Revaluation reserve	–	(3,405)
	14,665	(48,635)
Gain on disposals of subsidiaries	3,335	60,101
	18,000	11,466
Consideration	18,000	11,466
Satisfied by:		
Consideration receivable	7,200	–
Cash	10,800	11,466
	18,000	11,466
Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposals of subsidiaries		
Cash consideration received	10,800	–
Less: Pledged bank deposits disposed of	(321)	(642)
Cash and bank balances disposed of	(5,930)	(1,958)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposals of subsidiaries	4,549	(2,600)

30. OPERATING LEASE ARRANGEMENTS**(a) The Group as lessor**

The Group leases its investment properties (note 15) under operating lease arrangement with a lease term of three years. The terms of the lease generally require the tenant to pay security deposits. As at 30 April 2004, the Group had future minimum lease receivables under non-cancellable operating lease with its tenant falling due as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	1,953	–
Later than one year but not later than five years	3,743	–
	5,696	–

(b) The Group as lessee

The Group leases its office premises and quarters under operating lease arrangements. Leases are negotiated for terms of 1 to 2 years.

At 30 April 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	536	689	536	570
Later than one year but not later than five years	215	100	215	–
	751	789	751	570

31. CAPITAL COMMITMENTS

At 30 April 2004, the capital commitments of the Group not provided for in the financial statements are analysed as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Authorised and contracted for		
– purchase of property under development	–	9,410
– capital contributions to a subsidiary registered in the PRC (<i>Note a</i>)	–	16,848
– capital contributions to an associate registered in the PRC (<i>Note b</i>)	8,190	8,190
	8,190	34,448

Notes:

- (a) On 3 September 2002, a subsidiary of the Company entered into a co-operation agreement with an independent third party to establish a PRC company with registered capital amounted to USD4,500,000 (equivalent to approximately to HK\$35,100,000), in which USD2,160,000 (equivalent to approximately to HK\$16,848,000) would be taken up by the Group.
- (b) On 30 September 2002, a subsidiary of the Company entered into a joint venture agreement with a related company to establish a PRC company with registered capital amounted to USD2,100,000 (equivalent to approximately to HK\$16,380,000), in which USD1,050,000 (equivalent to approximately to HK\$8,190,000) would be taken up by the Group. Mr. Zhu Yi Cai, being the controlling shareholder of the related company, was an executive director and substantial shareholder of the Company.

The Company had no significant commitments as at 30 April 2004 and 2003.

32. POST BALANCE SHEET DATE EVENTS

(a) State Empire Transactions

On 30 March 2004, Sincere Vantage Limited ("Sincere Vantage"), a wholly-owned subsidiary of the Group, entered into a conditional sales and purchase agreement with Praise Value Group Limited ("Praise Value") to acquire the entire issued share capital and the shareholder's loan of State Empire Limited ("State Empire") for an aggregate consideration of HK\$100 million (the "State Empire Acquisition"). State Empire holds through Harbour Wealth Investment Company Limited ("Harbour Wealth"), a wholly-owned subsidiary of State Empire, Right Emperor Commercial Building, a 24-storey commercial building located in Central, Hong Kong.

On 31 May 2004, the Group paid the consideration for the State Empire Acquisition through a loan of HK\$100 million bearing interest at 3% per annum for a period of 12 months from A.A. Finance Limited ("AA Finance"). The loan was secured by legal charges over the shares and shareholders' loan of State Empire and Harbour Wealth. Praise Value and AA Finance are subsidiaries under a discretionary trust set up and controlled by Mr. Yeung Sau Shing, Albert. Therefore, the State Empire Acquisition constituted a major and connected transaction and conditional upon, among others, an approval from independent shareholders at a special general meeting of the Company to be convened for approving the State Empire Acquisition. If the State Empire Acquisition is not approved by the independent shareholders at the special general meeting, the State Empire Acquisition will lapse and all documents executed up to the balance sheet date shall become null and void. The details of the State Empire Acquisition were set out in an announcement of the Company dated 5 August 2004.

(b) Kamboat Bakery Transactions

On 28 May 2004, Sincere Land Limited ("Sincere Land"), a wholly-owned subsidiary of the Company entered into an agreement ("Subscription Agreement") to subscribe for 1,040,000 new shares ("Subscription Shares") of Kamboat Bakery Limited ("Kamboat Bakery"), representing 51% of the total issued share capital of Kamboat Bakery as enlarged by the Subscription Shares for a consideration of HK\$1,040,000. On 16 June 2004, the Subscription Shares have been issued and allotted to Sincere Land. Pursuant to the terms of the Subscription Agreement, Sincere Land has to provide a shareholder's loan of HK\$1,000,000 to Kamboat Bakery as working capital. On 31 May 2004, the Group paid a total sum of HK\$2,040,000 as consideration for the Subscription Shares and the shareholder's loan.

On 28 May 2004, Sincere Land entered into a shareholder's loan agreement (the "Shareholder's Loan Agreement") pursuant to which E-Rapid Developments Limited ("E-Rapid") assigned to Sincere Land the shareholder's loan of approximately HK\$11.86 million due by Kamboat Bakery to E-Rapid for a consideration of HK\$5 million. The consideration of HK\$5 million for the Shareholder's Loan Agreement shall be paid by Sincere Land to E-Rapid within three months from 16 June 2004. In summation, the total amount committed for the Kamboat Bakery Transactions is HK\$7,040,000 (i.e. consideration of HK\$1,040,000 for Subscription Shares, working capital contribution of HK\$1,000,000 and consideration of HK\$5,000,000 for the Shareholder's Loan).

32. POST BALANCE SHEET DATE EVENTS (continued)

(b) Kamboat Bakery Transactions (Continued)

The above transactions in aggregate constituted a major transaction and is subject to the shareholders' approval. However, the Company may make an application to the Stock Exchange of Hong Kong Limited for its approval in accepting written approval from Wealth Success Limited in lieu of convening a special general meeting for shareholders' approval. Based on the assumption that no special general meeting will need to be convened, all the documents for the transactions have been executed on 16 June 2004.

However, if the accountants' report on Kamboat Bakery contains qualified opinion, a special general meeting must be held for shareholders to approve the Kamboat Bakery Transactions. If the shareholders ratify the transactions, the completion of the Kamboat Bakery Transactions will be treated as properly completed on 16 June 2004. If the transactions are not ratified by the shareholders at the special general meeting, the transactions will lapse and all documents executed up to the balance sheet date shall become null and void. Details of the Kamboat Bakery Transactions were set out in an announcement of the Company dated 5 August 2004.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 August 2004.