

Interim Report **2004**



ORIENTAL INVESTMENT CORPORATION LIMITED

東成控股有限公司*

(Incorporated in Bermuda with limited liability)

* for identification purpose only



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Leong (*Chairman*)

Mr. Zhu Yi Cai

Mr. Wang Hao

Non-executive Directors

Mr. Kwok Chi Sun, Vincent

Mr. Li Siu Lok, Albert

Ms. Wan Choi Ha, Noven

Independent Non-Executive Directors

Dr. Chow King Wai

Mr. Chu Kar Wing

Mr. Wong Kwok Tai

AUDIT COMMITTEE

Dr. Chow King Wai

Mr. Chu Kar Wing

Mr. Wong Kwok Tai

COMPANY SECRETARY

Ms. Chan Yim Kum

QUALIFIED ACCOUNTANT

Mr. Ho Yau Hong, Alfred

AUDITORS

CCIF CPA Limited

Certified Public Accountants

37th Floor, Hennessy Centre

500 Hennessy Road

Hong Kong

HONG KONG SHARE REGISTRARS

Tengis Limited

Ground Floor

BEA Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

DBS Bank (Hong Kong) Ltd

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 904-5

Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

STOCK CODE

0735



Oriental Investment Corporation Limited

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INTERIM RESULTS

The Board of Directors of Oriental Investment Corporation Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2004, together with the unaudited comparative figures for the six months ended 31 October 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2004

		Unaudited Six months ended 31 October	
	Notes	2004 HK\$'000	2003 HK\$'000
TURNOVER	3	35,869	–
Cost of sales		(11,299)	–
GROSS PROFIT		24,570	–
Other revenue	4	12,031	1
Selling and distribution costs		(4,467)	–
Administrative expenses		(14,694)	(6,535)
Other operating expenses		(12,141)	(1,486)
Gain on disposal of a subsidiary		–	2,850
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5		
Continuing operations		5,299	(1,842)
Discontinuing operations		–	(3,328)
		5,299	(5,170)
Finance costs		(1,316)	–
PROFIT/(LOSS) BEFORE TAX		3,983	(5,170)
Tax	6	–	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		3,983	(5,170)
Minority interests		113	–
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		4,096	(5,170)
EARNINGS/(LOSS) PER SHARE			
Basic	7	HK0.21 cents	HK(0.27) cents
Diluted		N/A	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 October 2004

	Notes	(Unaudited) 31 October 2004 HK\$'000	(Audited) 30 April 2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	8	129,217	12,076
Intangible assets	9	(4,824)	–
Deposit on property under development		32,899	32,899
Interests in associate company		–	–
Investment in securities	10	38,900	38,900
Rental and utility deposits		1,275	–
		197,467	83,875
CURRENT ASSETS			
Inventories		1,752	–
Due from related companies	11	1,412	–
Trade receivables	12	6,951	873
Prepayments, deposits and other receivables		13,268	9,145
Pledged bank deposits		500	500
Cash and bank balances		3,340	587
		27,223	11,105
CURRENT LIABILITIES			
Trade payables	13	4,289	830
Accrued liabilities and other payables		13,325	1,784
Other loan, secured	14	50,000	–
Short-term bank loan, secured	15	50,000	–
Current portion of long-term bank loan, secured	16	417	–
Due to a minority shareholder		17,239	–
Tax payable		5	5
		135,275	2,619
NET CURRENT (LIABILITIES)/ASSETS		(108,052)	8,486
TOTAL ASSETS LESS CURRENT LIABILITIES		89,415	92,361
NON-CURRENT LIABILITIES			
Bank loan, secured	16	953	–
Other payable		44	–
Deferred tax liabilities	17	1,291	–
		(2,288)	–
MINORITY INTERESTS			
		9,330	–
		96,457	92,361
CAPITAL AND RESERVES			
Share capital	18	192,002	192,002
Reserves	19	(95,545)	(99,641)
		96,457	92,361



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2004

	Unaudited Six months ended 31 October	
	2004 HK\$'000	2003 HK\$'000
Net cash inflow/(outflow) from operating activities	3,178	(1,239)
Net cash (outflow)/inflow from investing activities	(56,080)	6,000
Net cash inflow from financing activities	55,655	—
INCREASE IN CASH AND CASH EQUIVALENTS	2,753	4,761
Cash and cash equivalents at beginning of the period	587	2,372
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3,340	7,133
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Pledged bank deposits	—	500
Cash and bank balances	3,340	6,633
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3,340	7,133



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2004

	Issued capital <i>HK\$'000</i>	Unaudited Reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st May 2004	192,002	(99,641)	92,361
Net profit for the period	—	4,096	4,096
At 31st October 2004	<u>192,002</u>	<u>(95,545)</u>	<u>96,457</u>
At 1st May 2003	192,002	(78,109)	113,893
Net loss for the period	—	(5,170)	(5,170)
At 31st October 2003	<u>192,002</u>	<u>(83,279)</u>	<u>108,723</u>



NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 October 2004

(1) Organisation and principal activities

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 percent per annum for a period of 12 months from A.A. Finance Limited (the "State Empire Loan").

The State Empire Acquisition and State Empire Loan were major and connected transactions, the details of which were set out in the circular issued by the Company dated 19 November 2004. The State Empire Acquisition and State Empire Loan had been approved in the special general meeting of the Shareholders held on 7 December 2004; therefore, State Empire became a wholly-owned subsidiary of the Group effective from 31 May 2004.

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 as enlarged by the Subscription Shares for a consideration of HK\$1,040,000. 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 16 June 2004, the Subscription Shares have been issued and allotted to Sincere Land.

On 28 May 2004, Sincere Land entered into a shareholder's loan agreement (the "Shareholder's Loan Agreement") pursuant to which E-Rapid Development 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 Subscription Agreement and Shareholder's Loan Agreement which had been completed on 16 June 2004 in aggregate constituted a major transaction, the details of which were set out in the circular issued by the Company dated 19 November 2004.



(2) Basis of presentation and accounting policies

The unaudited condensed financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 30 April 2004.

The accounting policies and basis of preparation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 30 April 2004, except that the Group has changed its accounting policies following its adoption of the revised SSAP 12 "Income Taxes" issued by the Hong Kong Institute of Certified Public Accountants which is effective for accounting periods commencing on or after 1st January 2003 and adoption of the accounting policies for goodwill and negative goodwill.

The adoption of the revised SSAP 12 represents a change in accounting policy. However, the adoption of the new revised SSAP 12 has no material effect on the results of the Group in both accounting periods. The new accounting policies are set out below;

(a) Income tax

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.



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In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profits as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of new SSAP 12 represents a change in accounting policy, which has been applied retrospectively. However, the adoption of the revised SSAP 12 has no material impact on the results of the Group in both accounting periods.

(b) *Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that the negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognized in the income statement when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the income statement over the remaining weighted average useful life of those assets on a straight line basis as follows;

Negative goodwill in excess of the fair values of those non-monetary assets is recognized in the income statement immediately.

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(3) 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

	Investment holding		General trading		Property investment		Bakery and food		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Turnover	7,797	-	1,747	-	3,353	-	22,972	-	35,869	-
Other revenue	11,983	-	-	-	11	-	37	-	12,031	-
	<u>19,780</u>	<u>-</u>	<u>1,747</u>	<u>-</u>	<u>3,364</u>	<u>-</u>	<u>23,009</u>	<u>-</u>	<u>47,900</u>	<u>-</u>
Segment results	3,340	(9)	(29)	(1,384)	2,162	(363)	(174)	(2,965)	5,299	(4,721)
Unallocated other revenue									-	1
Unallocated expenses									-	(3,300)
Profit/(loss) from operating activities									5,299	(8,020)
Finance cost									(1,316)	-
Gain on disposal of a subsidiary company									-	2,850
Profit/(loss) before tax									3,983	(5,170)
Tax									-	-
Profit/(loss) before minority interest									3,983	(5,170)
Minority interest									113	-
Net profit/(loss) attributable to shareholders									<u>4,096</u>	<u>(5,170)</u>



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(b) Geographical segments

	Taiwan		PRC		Hong Kong		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Sales to external customers	1,747	-	8,774	-	25,348	-	35,869	-
Segment results	(29)	-	8,705	(4,721)	(3,377)	-	5,299	(4,721)

(4) Other revenue

	Six months ended 31 October	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
Amortisation of negative goodwill	124	-
Provision for doubtful debts written back	5,000	-
Gain on acquisition of a loan due to a minority shareholder	6,859	-
Sundry	48	1
	12,031	1



(5) Profit/(loss) from operating activities

The profit/(loss) from operating activities is arrived at after charging:

	Six months ended	
	31 October	
	2004	2003
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Amortisation of intangible assets	–	550
Depreciation	2,025	15
Interest on bank loans	352	–
Interest on other loan	964	–
Loss on disposal of fixed assets	63	–
Impairment of goodwill	10,634	–
Loss on written off of fixed assets	500	–
Provision for bad debts	944	–

(6) Tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits in Hong Kong during the six months ended 31 October 2004. (2003: Nil)

No provision for Mainland China enterprise income tax has been made as the subsidiaries operating in Mainland China had no estimated assessable profits during the six months ended 31 October 2004. (2003: Nil)

(7) Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit/(loss) attributable to shareholders for the period of approximately HK\$4,096,000 (2003: loss of approximately HK\$5,170,000) and the 1,920,018,000 (2003: 1,920,018,000) ordinary shares in issue during the period. No diluted earnings/(loss) per share is presented for both current and last period as there are no dilutive potential ordinary shares.



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(8) Fixed assets

	<i>HK\$'000</i>
Opening net book value	12,076
Acquisition of subsidiaries	119,814
Depreciation	(2,025)
Disposals	(148)
Written off	(500)
	<hr/>
Closing net book value	129,217

(9) Intangible assets

	Goodwill	Negative goodwill	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book value	–	–	–
Arising from acquisition of subsidiaries	10,634	(4,948)	5,686
Amortisation	–	124	124
Impairment	(10,634)	–	(10,634)
	<hr/>	<hr/>	<hr/>
Closing net book value	–	(4,824)	(4,824)



(10) Investment in securities

	Group		Company	
	31 October 2004 HK\$'000	30 April 2004 HK\$'000	31 October 2004 HK\$'000	30 April 2004 HK\$'000
Investment securities				
Listed shares in Hong Kong, at cost	2,000	2,000	2,000	2,000
Unlisted shares, at cost	7,533	7,533	–	–
	9,533	9,533	2,000	2,000
Less: Provision for impairment	(1,100)	(1,100)	(1,100)	(1,100)
	8,433	8,433	900	900
Due from an investee company	30,467	30,467	–	–
	38,900	38,900	900	900
Market value of listed investments	900	900	900	900



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(11) Due from related companies

	31 October 2004 HK\$'000	30 April 2004 HK\$'000
At beginning of the period		
– Hong Thai Travel Services Ltd.	–	–
– 東莞新聯食品有限公司	–	–
– EIL Property Management Limited	–	–
	<u>–</u>	<u>–</u>
At end of the period		
– Hong Thai Travel Services Ltd.	100	–
– 東莞新聯食品有限公司	305	–
– EIL Property Management Limited	1,007	–
	<u>1,412</u>	<u>–</u>
Maximum debit balance during the period		
– Hong Thai Travel Services Ltd.	100	–
	<u>100</u>	<u>–</u>
– 東莞新聯食品有限公司	305	–
	<u>305</u>	<u>–</u>
– EIL Property Management Limited	1,007	–
	<u>1,007</u>	<u>–</u>

The amounts were unsecured, interest-free and had no fixed terms of repayment.

(12) Trade receivables

The aged analysis of the trade receivables is as follows:

	31 October 2004 HK\$'000	30 April 2004 HK\$'000
Current to 3 months	6,951	873
	<u>6,951</u>	<u>873</u>



(13) Trade payables

The aging analysis of the trade payables is as follows:

	31 October 2004 HK\$'000	30 April 2004 HK\$'000
Current to 3 months	3,855	830
4 to 6 months	–	–
7 to 12 months	–	–
Over one year	434	–
	4,289	830

(14) Other loan, secured

The other loan is a revolving loan bearing interest at 3% per annum, secured by legal charges over the shares and shareholder's loan of State Empire and Harbour Wealth, both are wholly-owned subsidiaries of the Group and repayable by 30 May 2005.

(15) Short-term bank loan, secured

The short-term bank loan was secured by investment properties with net book value of approximately HK\$106,000,000 (2003: Nil) and a personal guarantee given by a connected party. (For details, please refer to note 23(d))

(16) Bank loan, secured

	Group	
	31 October 2004 HK\$'000	30 April 2004 HK\$'000
Bank loan wholly repayable		
– within one year	417	–
– in the second to fifth years, inclusive	953	–
	1,370	–
Portion classified as current liabilities	(417)	–
Long-term portion	953	–

The bank loan was secured by land and buildings with net book value of approximately HK\$3,024,000 (30 April 2004: Nil).



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(17) Deferred tax liabilities

(a) Deferred tax liabilities recognised

	Accelerated depreciation		Tax losses		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May	-	-	-	-	-	-
Acquisition of subsidiary	1,737	-	(446)	-	1,291	-
Charged to income statement	-	-	-	-	-	-
At 31 October	1,737	-	(446)	-	1,291	-

(b) Deferred tax assets not recognised

The Group has losses arising in Hong Kong of approximately HK\$19,419,000 (30 April 2004: Nil) that are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered that it is not probable that sufficient taxable profits will be available against which unused tax losses can be utilized by the Group.

(18) Share capital

	31 October 2004 HK\$'000	30 April 2004 HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	300,000	300,000
Issued and fully paid:		
1,920,018,000 ordinary shares of HK\$0.10 each	192,002	192,002



(19) Reserves

	Exchange fluctuation reserve	Investment property revaluation reserve	Acc- umulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 May 2003	30	–	(78,139)	(78,109)
Loss for the period	–	–	(5,170)	(5,170)
At 31 October 2003	<u>30</u>	<u>–</u>	<u>(83,309)</u>	<u>(83,279)</u>
At 1 May 2004	–	646	(100,287)	(99,641)
Profit for the period	–	–	4,096	4,096
At 31 October 2004	<u>–</u>	<u>646</u>	<u>(96,191)</u>	<u>(95,545)</u>

(20) Capital commitments

At 31 October 2004, the capital commitments of the Group not provided for in the financial statements are analysed as followed:

	31 October 2004 HK\$'000	30 April 2004 HK\$'000
Authorised and contracted for – capital contributions to an associate registered in the PRC	<u>–</u>	<u>8,190</u>



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(21) Operating lease commitments

(a) *The Group as lessor*

The Group leases its investment properties under operating lease arrangement with a lease term of three years. The terms of the lease generally require the tenants to pay security deposits. As at the balance sheet date, the Group had future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 October 2004 HK\$'000	30 April 2004 HK\$'000
Not later than one year	5,303	1,953
Later than one year but not later than five years	4,419	3,743
	9,722	5,696

(b) *The Group as lessee*

The Group leases its properties under operating lease arrangements with lease terms up to fifteen years. The minimum lease payments under non-cancellable operating lease agreements are analysed as follows:

	31 October 2004 HK\$'000	30 April 2004 HK\$'000
Not later than one year	5,223	536
Later than one year but not later than five years	2,098	215
Later than five years	1,712	–
	9,033	751

(22) Contingent liabilities

As at 31 October 2004, a subsidiary of the Group issued corporate guarantees to a bank in respect of banking facilities of approximately HK\$4,670,000 granted to a subsidiary of the minority shareholder. As at 31 October 2004, the banking facilities were utilized to the extent of approximately HK\$3,951,000.



(23) Related party transactions

Particulars of the significant related party transactions between the Group and the related parties during the period are summarized as follows:

- (a) 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 percent per annum for a period of 12 months from A.A. Finance Limited (the "State Empire Loan"). On 8 June 2004, Harbour Wealth has drawdown a bank loan of HK\$50,000,000 for partial repayment of the State Empire Loan.

The shares of the Company held by Wealth Success Limited, the substantial shareholder of the Company, were pledged to Emperor Securities Limited ("ESL") for a loan unrelated to the above transaction granted to Wealth Success Limited. ESL, A.A. Finance Limited and Praise Value are subsidiaries of a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Yeung"). Therefore, Mr. Yeung is deemed to be a connected person of the Company and the State Empire Acquisition and the State Empire Loan constituted connected transactions, the details of which were set out in the circular issued by the Company dated 19 November 2004. The consideration was arrived at after arm's length negotiations among the parties. The State Empire Acquisition and State Empire Loan had been approved in the special general meeting of the shareholders of the Company held on 7 December 2004, therefore, State Empire became a wholly-owned subsidiary of the Group effective from 31 May 2004.

- (b) EIL Property Management Limited ("EIL") was appointed to provide building management services for the investment property, Right Emperor Commercial Building. Mr. Yeung has control over and is deemed to be interested indirectly in EIL. The building management service fee paid by the Group for the period was approximately HK\$56,000 (2003:Nil). The building management service fee was determined after the arm's length negotiation between the parties concerned.



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- (c) Emperor Investment (Management) Limited ("EIML") provided accounting, secretarial and professional services for handling of tenancy agreements to Harbour Wealth during the period. Mr. Yeung has control over and is deemed to be interested indirectly in EIML. The Group paid service fee of approximately HK\$60,000 for the period (2003:Nil). In the opinion of the directors, the fees were charged on normal commercial terms and were fair and reasonable.
- (d) During the period, Mr. Yeung provided a personal guarantee of HK\$100,000,000 in favour of a bank for banking facility of HK\$50,000,000 granted to Harbour Wealth. As at 31 October 2004, the facilities utilized by Harbour Wealth amounted to HK\$50,000,000. Pursuant to the terms of a loan agreement entered into between Harbour Wealth and A.A. Finance Limited on 31 May 2004, (details of which are set out in note 23(a) above) utilization of the banking facility shall be made at the sole discretion of A.A. Finance Limited as the banking facility is guaranteed by Mr. Yeung. Harbour Wealth is required to seek consent from A.A. Finance Limited to utilize the banking facility.
- (e) During the period, Kamboat Bakery purchased moon cake and bakery products from 東莞新聯食品有限公司 (Dongguan Xin Lian Food Products Company Limited) ("Dongguan Xin Lian") for approximately HK\$4,696,000 (2003: Nil) and HK\$142,000 (2003: Nil) respectively. Dongguan Xin Lian is a subsidiary of a minority shareholder. The purchase price was mutually agreed between the parties concerned.
- (f) During the period, Kamboat Bakery purchased red wine from Kamboat Trading Limited for approximately HK\$68,000 (2003:Nil). Kamboat Trading Limited is a subsidiary of a minority shareholder. The purchase price was mutually agreed between the parties concerned.
- (g) During the period, Kamboat Bakery issued corporate guarantees to a bank in respect of banking facilities of approximately HK\$4,670,000 (2003: Nil) granted to a subsidiary of the minority shareholder. In addition, the banking facilities of approximately HK\$2,100,000 of Kamboat Bakery were secured by the corporate guarantees given by the subsidiary and immediate holding company of the minority shareholder and a property owned by the subsidiary of the minority shareholder.



INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF ORIENTAL INVESTMENT CORPORATION LIMITED

INTRODUCTION

We have been instructed by the company to review the interim financial report set out on pages 2 to 20.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards No. 700 "Engagement to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim



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financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 October 2004.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 28 December 2004

Chan Wai Dune, Charles

Practising Certificate Number P00712



INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the six months ended 31 October 2004 (six months ended 31 October 2003: Nil). No dividend was paid during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

For the six months ended 31 October 2004, the Group recorded a turnover of HK\$35,869,000 (six months ended 31 October 2003: Nil). The turnover was attributable to the trading business, properties investment and bakery business of the Group. This resulted in a profit attributable to shareholders of HK\$4,096,000 as compared with a loss of HK\$5,170,000 for the corresponding period in last year. Earnings per share was HK0.21 cents (six months ended 31 October 2003: HK0.27 cents – loss per share).

As reported in the annual report of year 2004, the Group has fully paid the remaining balance for the property purchased during April 2003. However, occupation of that property has been re-scheduled to June 2005 as construction work has been delayed.

The acquisition of a Hong Kong property holding company at 30 March 2004 was completed on 31 May 2004 and approved by the independent shareholders at the special general meeting of the Company on 7 December 2004. The acquisition contributed about HK\$2.4 million to the turnover of the Group for the period.

The Group also completed the acquisition of a bakery business on 16 June 2004. The bakery business contributed about HK\$23 million to the turnover of the Group for the period. The Group still carry on developing its trading business by employing experienced staff to manage it.

During the period, the Group is able to demonstrate that the healthy financial position of the Group has enabled the Group to carry out and complete its business restructuring. The Company will continue to take actions to improve the business portfolio of the Group and seek for investment opportunities which are favorable to the Group's development after the temporary failure in the business in year 2003.



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LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2004, the Group had cash and cash equivalent of HK\$3.34 million and has bank borrowings of HK\$51.37 million. The Group's net current liabilities and shareholders' funds as at 31 October 2004 were HK\$108 million and HK\$96.45 million respectively. The current ratio was maintained at approximately 20%.

The Directors believe the Group's liquid asset and future revenue will be sufficient to fund future expansion and working capital requirements.

HUMAN RESOURCES

As 31 October 2004, the Group employed a total of approximately 125 employees in Hong Kong and the PRC. The remuneration policy and package of the Group's employees are periodically 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 2004, the interests and short positions of the Directors and chief executives of the Group or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporation(s), within the meaning of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 352 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:

LONG POSITION IN THE SHARES

Name of Directors	Type of Interests	Number of shares	Percentage
Mr. Lai Leong	Corporate (Note 1)	980,020,000	51.04%
Mr. Zhu Yi Cai	Corporate (Note 1)	980,020,000	51.04%

Notes:

- (1) These Shares were held by Wealth Success Limited, a company beneficially owned as to 48 per cent. and 52 per cent. by Mr. Lai Leong and Mr. Zhu Yi Cai, respectively.



SUBSTANTIAL SHAREHOLDERS

As at 31 October 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, showed that the following shareholder had notified the Company of interests or short positions in the shares or underlying shares of the Company:

Name of substantial shareholder	Long positions Number of shares	Percentage
Wealth Success Limited	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 2004.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising Dr. Chow King Wai, Mr. Chu Kar Wing and Mr. Wong Kwok Tai, all being independent non-executive directors of the Company, was established in accordance with the requirements of the Code of Best Practice (the "Code") and with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

The Audit Committee has reviewed with the 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.

At the request of the Directors, the Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.



CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 October 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange Limited, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation in accordance with the By-laws of the Company.

By Order of the Board

Lai Leong

Chairman

Hong Kong, 28 December 2004