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 Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 17 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.

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. 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 ("SSAPs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 except for the investment properties. A summary of the principal accounting policies adopted by the Group is set out below.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not adopted these new HKFRSs in the financial statements for the year ended 30 April 2005 except for Hong Kong Accounting Standard 40 "Investment Property" ("HKAS 40") as stated below. The Group has already assessed the impact of the other new HKFRSs but is not yet in a position to state whether the other new HKFRSs would have a significant impact on its results of operations and financial position.

Investment properties

In the current year, the Group has, for the first time early, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. In previous years, investment properties under the SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the HKAS 40 retrospectively and comparatives presented have been restated to conform to the changed policy. The amount held in investment property revaluation reserve at 30 April 2004 has been transferred to the Group's retained profits (see Note 3 for the financial impact).

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the current year, the Group has applied HKAS-Interpretation 21 ("INT-21") "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assess on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in INT-21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (see Note 3 for the financial impact).

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 April 2005. 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) 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 recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets on a straight line basis.

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

(e) 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:

Leasehold land	Over the lease terms
Leasehold buildings	2% or over the lease terms, whichever is shorter
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	14% – 25%
Motor vehicles	18% – 30%
Plant and machinery	9% – 9.5%
Utensils and supplies	$33\frac{1}{3}$%

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) 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.

(g) 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.

(h) 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) 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 mainland China 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.

(j) 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.

(k) 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) 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.

(l) Revenue recognition

Revenue is recognised 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;

(iii) income from rendering of services, when the services are rendered;

(iv) dividend income from investment securities, when the Group's rights to receive payment have been established; and

(v) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) 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 mainland China 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.

(n) 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.

(o) 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.

(p) Coupon liabilities

Coupons are recorded as liabilities when sold. Coupons surrendered in exchange for cake and other food products during the year are recognised as sales using the weighted average coupon sales value.

(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.

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described in note 2 above on the results for the current and prior years are as follows:

	2005 **HK$'000**	2004 HK$'000
Gains arising from fair value changes of investment properties	**28,936**	646
Increase in deferred tax liabilities in relation to fair value gains of investment properties	**(4,694)**	(65)
Increase in net profit for the year	**24,242**	581

In addition, the net assets of the Group would decrease by approximately HK$65,000 and HK$14,582,000 as at 30 April 2004 and 2005 respectively.

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) Bakery and food segment engages in the operations of bakery retail shops;

(iii) Investment holding segment engages in equity investments;

(iv) Consultancy segment engages in provision of consultancy services for hotel management;

(v) General trading segment engages in trading of electronic products; and

(vi) The environmental protection segment engages in the development of technology in the environmental protection industry.

(b) Discontinuing operations

The eel feeds segment engages in the manufacture and sale of eel feeds.

Details of the discontinued 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			
	Bakery and food		Investment holding		General trading		Property investment		Environmental protection		Consultancy		Eel feeds		Consolidated	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Segment revenue:																
Sales to external customers	26,546	–	–	–	5,525	1,514	7,063	–	–	–	475	–	–	–	39,609	1,514
Other revenue	1,783	–	26,996	3,525	–	–	20	81	–	–	–	–	–	2,680	28,799	6,286
Total	28,329	–	26,996	3,525	5,525	1,514	7,083	81	–	–	475	–	–	2,680	68,408	7,800
Segment results	(19,240)	–	4,714	(23,555)	(427)	31	4,813	63	–	(1,380)	468	–	–	(638)	(9,672)	(25,479)
Interest income and unallocated revenue/gains – segment	65	–	–	–	–	–	–	–	–	–	–	–	–	1	65	1
Fair value changes on investment properties	–	–	–	–	–	–	28,936	646	–	–	–	–	–	–	28,936	646
Profit/(loss) from operating activities															19,329	(24,832)
Finance costs															(2,786)	–
Gain on disposals of subsidiaries															–	3,335
Profit/(loss) before tax															16,543	(21,497)
Tax															(5,001)	(70)
Profit/(loss) before minority interests															11,542	(21,567)
Minority interests															9,689	–
Net profit/(loss) from ordinary activities attributable to shareholders															21,231	(21,567)
Segment assets	6,144	–	43,096	51,271	2,643	882	181,566	42,627	–	–	335	–	–	–	233,784	94,780
Unallocated assets															14,718	200
Total assets															248,502	94,980
Segment liabilities	32,808	–	1,425	1,442	158	830	118,163	407	–	-	1,325	–	–	–	153,879	2,679
Unallocated liabilities															–	5
Total liabilities															153,879	2,684
Other segment information Depreciation	4,938	–	20	20	–	–	3	–	–	550	–	–	–	4	4,961	574
Capital expenditure	790	–	–	38,000	–	–	–	13,298	–	–	–	–	–	–	790	51,298
Gain on disposal of fixed assets	967	–	–	–	–	–	–	–	–	–	–	–	–	–	967	–
Provision for trade receivable	1,898	–	–	–	–	–	–	–	–	–	–	–	–	2,935	1,898	2,935
Provision for other receivables	136	–	–	10,466	–	–	–	–	–	–	–	–	–	–	136	10,466
Provision for amount due from an associate	–	6,681	–	–	–	–	–	–	–	–	–	–	–	–	–	6,681
Provision for inventories	325	–	–	–	–	–	–	–	–	–	–	–	–	–	325	–
Goodwill written off	–	–	10,634	–	–	–	–	–	–	–	–	–	–	–	10,634	–
Loss on written off of fixed assets	3,187	–	–	–	–	–	–	–	–	–	–	–	–	–	3,187	–
Amortisation of goodwill	–	–	244	–	–	–	–	–	–	–	–	–	–	–	244	–

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

	Korea		Taiwan		Mainland China		Hong Kong		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**1,357**	–	**1,747**	873	**4,233**	–	**32,272**	641	**39,609**	1,514
Segment results	**70**	–	**87**	26	**(402)**	(4,247)	**(9,427)**	(21,258)	**(9,672)**	(25,479)

	Taiwan		Mainland China		Hong Kong		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:								
Segment assets	**–**	873	**68,066**	53,089	**180,436**	41,018	**248,502**	94,980
Capital expenditure	**–**	–	**721**	13,298	**69**	38,000	**790**	51,298

5. TURNOVER AND REVENUE

	2005 HK$'000	2004 HK$'000
Turnover		
– Consultancy fee income for hotel management	**500**	–
– Building management service fee income	**1,259**	–
– Rental income from investment properties	**5,902**	–
– Sales of bakery and other food products	**26,546**	–
– Sales of electronic products	**5,525**	1,514
	39,732	1,514
Less: Business tax	**(123)**	–
	39,609	1,514
Other revenue		
Dividend income	**8,670**	–
Interest income	**65**	1
Management fee income	**520**	–
Sundry income	**316**	–
Gross rental income from investment properties	**–**	81
Written back of provision for other receivables	**11,166**	6,005
Reverse of impairment loss on investment in securities	**300**	200
Gain on disposal of fixed assets	**967**	–
Gain on loan assignment from E-Rapid	**6,860**	–
	28,864	6,287
Total revenue	**68,473**	7,801

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 mainland China for a consideration of HK$12,000,000.

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

	Eel feeds operations	
	2005	2004
	HK$'000	HK$'000
Total assets	–	21,819
Total liabilities	–	43,606
Turnover	–	–
Other revenue	–	2,681
Administrative expenses	–	(383)
Other operating expenses	–	(2,935)
Loss before tax	–	(637)
Tax	–	–
Loss for the year	–	(637)

The Group recorded a gain of approximately HK$486,000 on disposal of the discontinuing operations, which is included in the gain on disposals of subsidiaries.

7. OTHER OPERATING EXPENSES

	2005 HK$'000	2004 HK$'000
Amortisation of goodwill	**244**	–
Goodwill written off	**10,634**	–
Provision for amount due from an associate	**–**	6,681
Provision for trade receivables	**1,898**	2,935
Provision for other receivables	**136**	10,466
Provision for inventories	**325**	–
Amortisation of licence fee	**–**	550
Loss on written off of fixed assets	**3,187**	–
	16,424	20,632

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2005 HK$'000	2004 HK$'000
Auditors' remuneration	**450**	470
Cost of inventories sold	**25,962**	1,465
Depreciation	**4,961**	24
Minimum lease payments under operating leases in respect of land and buildings	**8,176**	1,127
Staff costs (excluding directors' remuneration – note 10):		
Wages and salaries	**8,443**	2,412
Pension contributions	**385**	77
	8,828	2,489

The cost of inventories sold includes approximately HK$5,242,000 (2004: HK$Nil) 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 2005 HK$'000	Group 2004 HK$'000
Interest on bank loans	**822**	–
Interest on loan from a related party	**1,964**	–
	2,786	–

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 2005 HK$'000	Group 2004 HK$'000
Executive directors:		
Fees	**–**	–
Other emoluments		
– Salaries and allowances	**1,315**	828
Non-executive director		
– Fees	**155**	–
	1,470	828
Independent non-executive directors:		
Fees	**150**	120
	1,620	948

The non-executive directors received no fees or other emoluments for their services rendered to the Group during the year (2004: HK$Nil).

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' remuneration (continued)

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

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**9**	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

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

(b) Five highest paid individuals

One director (2004: one) 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 (2004: four), highest paid individuals are set out below:

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries and allowances	**1,260**	1,331
Pension contributions	**42**	43
	1,302	1,374

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

	Number of individuals	
	2005	2004
Nil – HK$1,000,000	**4**	4

11. TAXATION

(a) Taxation in the consolidated income statement represents:

	2005 HK$'000	2004 HK$'000 (Restated)
Current tax		
– Hong Kong profits tax provided for the year	**–**	5
– Mainland China enterprise income tax provided for the year	**245**	–
	245	5
Deferred tax		
– Changes in fair value of investment properties	**4,694**	65
– Origination and reversal of temporary differences	**62**	–
	4,756	65
	5,001	70

No Hong Kong profits tax has been provided as the Group had no assessable profit for the year. Hong Kong profit tax was provided at 17.5% on the estimated assessable profit for the year ended 30 April 2004. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(b) A reconciliation between tax expense and accounting profit/(loss) at applicable tax rates is as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Profit/(loss) before tax	**16,543**	(21,497)
Calculated at a tax rate of 17.5%	**2,895**	(3,762)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(534)**	(240)
Tax effect of non-deductible items for tax purposes	**2,899**	3,785
Tax effect of non-taxable income	**(4,724)**	(481)
Tax effect of tax losses not recognised	**3,165**	768
Unrecognised temporary difference	**1,300**	–
Tax charge	**5,001**	70

12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit/(loss) from ordinary activities attributable to shareholders includes a loss of approximately HK$53,000 (2004: loss of approximately HK$24,070,000) dealt with in the financial statements of the Company.

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) from ordinary activities attributable to shareholders for the year of HK$21,231,000 (2004: loss of HK$21,567,000) and the weighted average of 1,920,002,000 (2004: 1,920,002,000) ordinary shares in issue during the year.

There was no dilution effect on the basic earnings/(loss) per share for the years ended 30 April 2005 and 2004 as there were no dilutive shares outstanding during the years ended 30 April 2005 and 2004.

14. GOODWILL

	HK$'000
Cost	
At 1 May 2004	–
Arising from acquisitions of subsidiaries	15,510
At 30 April 2005	15,510
Accumulated amortisation and impairment	
At 1 May 2004	–
Charge for the year	244
Impairment	10,634
At 30 April 2005	10,878
Net book value	
At 30 April 2005	4,632
At 30 April 2004	–

15. FIXED ASSETS

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Utensil and supplies HK$'000	Total HK$'000
Cost							
At 1 May 2004	–	–	–	81	–	–	81
Additions	–	227	340	50	117	56	790
Acquisitions of subsidiaries	3,074	6,761	–	15,205	1,522	3,524	30,086
Written off	–	(2,308)	–	(8,156)	–	(64)	(10,528)
Disposals	(3,074)	(1,049)	–	–	(830)	–	(4,953)
At 30 April 2005	–	3,631	340	7,180	809	3,516	15,476
Accumulated depreciation							
At 1 May 2004	–	–	–	50	–	–	50
Charge for the year	–	627	82	2,900	169	1,183	4,961
Acquisitions of subsidiaries	–	5,262	–	7,859	791	2,360	16,272
Written off	–	(2,147)	–	(5,142)	–	(53)	(7,342)
Disposals	–	(402)	–	–	(428)	–	(830)
At 30 April 2005	–	3,340	82	5,667	532	3,490	13,111
Net book value							
At 30 April 2005	–	291	258	1,513	277	26	2,365
At 30 April 2004	–	–	–	31	–	–	31

15. FIXED ASSETS (continued)

Company

	Office equipment HK$'000
Cost	
At 1 May 2004 and 30 April 2005	81
Accumulated depreciation	
At 1 May 2004	50
Charge for the year	21
At 30 April 2005	71
Net book value	
At 30 April 2005	10
At 30 April 2004	31

16. INVESTMENT PROPERTIES

	2005 HK$'000	2004 HK$'000
Balance brought forward		
– As originally stated	**11,399**	11,399
– Effect on adoption of HKAS 40	**646**	–
– As restated	**12,045**	11,399
Acquisition of a subsidiary	**106,000**	–
Fair value changes	**28,936**	646
Balance carried forward	**146,981**	12,045

16. INVESTMENT PROPERTIES (continued)

An analysis of the carrying amount of the investment properties was as follows:

	2005 HK$'000	2004 HK$'000
Held in Hong Kong under long-term lease	**130,000**	–
Held in mainland China under medium-term lease	**16,981**	12,045
	146,981	12,045

(a) The investment properties of the Group were revalued as at 30 April 2005 by independent external professional valuers, BMI Appraisals Limited and Savills (Hong Kong) Limited on market value basis. The surplus arising on the revaluation of approximately HK$28,936,000 has been credited to income statement for the year.

(b) All of the investment properties of the Group are held for rental purpose under operating leases. The investment properties were leased to third parties under operating lease, further summary details of which are included in note 33(a) to the financial statements.

17. INTEREST IN SUBSIDIARIES

	Company	
	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**166**	166
Due from subsidiaries	**85,526**	92,747
Due to a subsidiary	**–**	(2)
	85,692	92,911
Less: Provisions for impairment	**(78)**	(14,400)
	85,614	78,511

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

17. INTEREST IN SUBSIDIARIES (continued)

Particulars of the subsidiaries as at 30 April 2005 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/ Mainland China	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
Sincere Land Limited	British Virgin Islands	US$1	100%	Investment holding
Dragon Eagle Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Capital Vantage Limited	British Virgin Islands	US$1	100%	Investment holding
Indirectly held				
Wealth Vantage Limited	British Virgin Islands/ Mainland China	US$1	100%	Property investment
Oriental Talent Limited	Hong Kong	HK$2	100%	General trading
State Empire Limited	British Virgin Islands	US$1	100%	Investment holding
Harbour Wealth Investment Company Limited	Hong Kong	HK$2,000,000	100%	Property investment for rental and building management income
Kamboat Bakery Limited	Hong Kong	HK$2,040,000	51%	Bakery operations
Oriental Board Limited	Hong Kong	HK$1	100%	Consultancy
東莞金龍船餅店有限公司 (“Dongguan Kamboat”)	Mainland China	HK$2,000,000	51%	Operation of cake shop

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or assets of the Group.

18. DEPOSIT ON PROPERTY UNDER DEVELOPMENT

	2005 HK$'000	2004 HK$'000
Balance brought forward	**32,899**	31,000
Additions	–	1,899
Balance carried forward	**32,899**	32,899

The amount represents payments made by the Group to acquire a commercial property project located in Guangzhou, Guangdong Province, the mainland China (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 2004.

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. As at the balance sheet date, the renovation of the external wall and installation of electricity and interior partitioning were in progress. In the opinion of the directors, the renovation, fitting out and fixing works should reasonably be expected to be completed by the end of September 2005. Upon completion, Wealth Vantage can apply for and obtain the real estate title certificate for 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 mainland China. Based on the valuation report issued by an independent professional valuer, the open market value of the Guangdong Property was RMB38 million as at 30 April 2005. Therefore, the directors considered that no provision for impairment loss is necessary notwithstanding the delay in completing the development.

19. INTEREST IN AN ASSOCIATE

	Group 2005 HK$'000	2004 HK$'000
Share of net assets	**–**	–
Due from an associate	**6,681**	6,681
Less: Provision for impairment	**(6,681)**	(6,681)
	–	–

Particulars of the principal associate as at 30 April 2005 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 Limited	British Virgin Islands	US$1,000	30%	Investment holding engaged in environmental protection business

20. INVESTMENT IN SECURITIES

	Group 2005 HK$'000	Group 2004 HK$'000	Company 2005 HK$'000	Company 2004 HK$'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	**(800)**	(1,100)	**(800)**	(1,100)
	8,733	8,433	**1,200**	900
Due from an investee company	**30,467**	30,467	**–**	–
	39,200	38,900	**1,200**	900
Market value of listed investments	**1,200**	900	**1,200**	900

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

21. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Raw materials	**431**	–
Work in progress	**14**	–
Finished goods	**941**	–
	1,386	–
Less: Provision for slow moving and obsolete inventories	**(325)**	–
	1,061	–

The carrying amount of inventories (included above) that was stated at net realisable value amounted to approximately HK$409,000 (2004: Nil).

22. TRADE RECEIVABLES

The aged analysis of the trade receivables is as follows:

	Group 2005 HK$'000	2004 HK$'000
Current to 3 months	**1,303**	873
4 to 6 months	**78**	–
7 to 12 months	**–**	–
Over one year	**1**	–
	1,382	873

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.

23. DUE FROM RELATED COMPANIES

	2005 HK$'000	2004 HK$'000
At beginning of the year		
– Hong Thai Travel Services Ltd.	–	–
– 東莞新聯食品有限公司	–	–
– EIL Property Management Limited	–	–
	–	–
At end of the year		
– Hong Thai Travel Services Ltd.	–	–
– 東莞新聯食品有限公司	–	–
– EIL Property Management Limited	1,141	–
	1,141	–
Maximum debit balance during the year		
– Hong Thai Travel Services Ltd.	100	–
– 東莞新聯食品有限公司	1,360	–
– EIL Property Management Limited	1,141	–

The amounts due from related companies were unsecured, interest free and without fixed terms of repayment.

24. TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	Group 2005 HK$'000	2004 HK$'000
Current to 3 months	1,056	830
4 to 6 months	158	–
7 to 12 months	266	–
Over one year	1,902	–
	3,382	830

25. DUE TO A MINORITY SHAREHOLDER

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

26. LOAN FROM A RELATED PARTY, SECURED

The loan was granted by A.A. Finance Limited, a subsidiary under a discretionary trust founded by Mr. Yeung Sau Shing, Albert ("Mr. Yeung"). The 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. On 25 April 2005, the Group has entered into a new loan agreement to renew the loan for another one year to 30 May 2006.

27. SHORT-TERM BANK LOAN, SECURED

The short-term bank loan was secured by investment properties with net book value of approximately HK$130,000,000 (2004: Nil) and a personal guarantee given by Mr. Yeung.

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the years:

Deferred tax liabilities

	Year ended 30 April 2005			
	Accelerated tax depreciation HK$'000	**Revaluation of investment properties HK$'000**	**Tax losses HK$'000**	**Total HK$'000**
At 1 May 2004				
– As originally stated	–	–	–	–
– Opening adjustment on adoption of INT-21 *(Note 3)*	–	65	–	65
– As restated	–	65	–	65
Acquisition of a subsidiary	1,855	9,823	(564)	11,114
Charge/(credit) to income statement *(Note 11)*	65	4,694	(3)	4,756
At 30 April 2005	1,920	14,582	(567)	15,935

28. DEFERRED TAX LIABILITIES (continued)

	Year ended 30 April 2004			
	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 May 2003	–	–	–	–
Charge to income statement *(Note 11)*	–	65	–	65
At 30 April 2004	–	65	–	65

The Group has tax losses arising in Hong Kong and Mainland China of approximately HK$39,294,000 (2004: HK$Nil) 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.

29. SHARE CAPITAL

	2005		2004	
	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:				
Ordinary shares of HK$0.01 each	**1,920,018**	**192,002**	1,920,018	192,002

30. SHARE OPTION SCHEME

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 2005 and 2004, no option has been granted under the Scheme.

31. RESERVES

Group

	Investment property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2003	–	30	(78,139)	(78,109)
Realisation on disposal of subsidiaries	–	(30)	–	(30)
Net loss for the year	–	–	(21,567)	(21,567)
At 30 April 2004	–	–	(99,706)	(99,706)
At 1 May 2004				
– As previously stated	646	–	(100,287)	(99,641)
– Effect on change in accounting policy	(646)	–	646	–
– Opening adjustment on adoption of INT-21	–	–	(65)	(65)
– As restated	–	–	(99,706)	(99,706)
Net profit for the year	–	–	21,231	21,231
At 30 April 2005	–	–	(78,475)	(78,475)

Company

	Accumulated losses HK$'000
At 1 May 2003	(81,322)
Net loss for the year	(24,070)
At 30 April 2004	(105,392)
At 1 May 2004	(105,392)
Net loss for the year	(53)
At 30 April 2005	(105,445)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisitions of subsidiaries

	2005	2004
	HK$'000	HK$'000
Net assets acquired of:		
Fixed assets	**13,814**	–
Investment properties	**106,000**	–
Inventories	**996**	–
Due from a related company	**1,006**	–
Prepayment, deposits and other receivable	**2,786**	–
Due from fellow subsidiary	**120**	–
Other loan receivable	**100,000**	–
Rental and utility deposits	**1,274**	–
Trade receivable	**1,284**	–
Cash and balance balances	**3,237**	–
Due to immediate holding company	**(68,289)**	–
Other payables and accruals	**(9,682)**	–
Loan from a fellow subsidiary	**(100,000)**	–
Deposits received and rental income received in advance	**(1,203)**	–
Trade payable	**(3,544)**	–
Due to a fellow subsidiary	**(7)**	–
Deferred tax liabilities	**(11,114)**	–
Bank loan	**(3,040)**	–
Minority interests	**9,217**	–
	42,855	–
Goodwill on acquisition	**15,510**	–
	58,365	–
Consideration satisfied by:		
Cash	**58,365**	–
Analysis of the net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries		
Cash and cash equivalents acquired	**3,237**	–
Cash consideration paid	**(58,365)**	
Net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries	**(55,128)**	–

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

(b) Disposals of subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets disposed of:		
Intangible assets	–	20,487
Fixed assets	–	260
Inventories, net of provision of obsolete stocks	–	1,015
Trade and bills receivable	–	10,409
Prepayment, deposit and other receivables	–	3,884
Pledged bank deposits	–	321
Cash and bank balances	–	5,930
Trade and bill payable	–	(3,836)
Accrued liabilities and other payables	–	(4,022)
Due to a minority shareholder	–	(8,797)
Tax payable	–	(4,281)
Amount due to group companies	–	(6,675)
Net assets	–	14,695
Exchange fluctuation reserve released on disposal	–	(30)
	–	14,665
Gain on disposals of subsidiaries	–	3,335
Consideration	–	18,000
Satisfied by:		
Consideration receivable	–	7,200
Cash	–	10,800
	–	18,000
Analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries		
Cash consideration received	–	10,800
Less: Pledged bank deposits disposed of	–	(321)
Cash and bank balances disposed of	–	(5,930)
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries	–	4,549

33. OPERATING LEASE ARRANGEMENTS

(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 tenant to pay security deposits. As at 30 April 2005, the Group had future minimum lease receivables under non-cancellable operating lease with its tenant falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Not later than one year	**5,770**	1,953
Later than one year but not later than five years	**3,614**	3,743
	9,384	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 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**7,656**	536	**235**	536
Later than one year but not later than five years	**3,473**	215	**–**	215
	11,129	751	**235**	751

34. CAPITAL COMMITMENTS

At 30 April 2005, the capital commitments of the Group not provided for in the financial statements are analysed as follows:

	2005	2004
	HK$'000	HK$'000
Authorised and contracted for capital contributions to an associate registered in mainland China	–	8,190

Note:

On 30 September 2002, a subsidiary of the Company entered into a joint venture agreement with a related company to establish a company in mainland China 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 a former executive director and substantial shareholder of the Company. On 18 October 2004, the subsidiary entered into a cancellation agreement with the venturer to terminate the joint venture agreement.

The Company had no significant commitments as at 30 April 2005 and 2004.

35. RELATED PARTY TRANSACTIONS

(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, Habour 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.

35. RELATED PARTY TRANSACTIONS (continued)

On 25 April 2005, the Group has entered into a new loan agreement to renew the loan for another one year to 30 May 2006.

During the year, a loan interest of approximately HK$1,964,000 (2004: Nil) was paid.

(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 year was approximately HK$1,339,000 (2004: Nil). The building management service fee was determined after arm's length negotiation between the parties concerned.

(c) Emperor Investment (Management) Limited ("EIML") provided accounting, secretarial and professional services for handling of tenancy agreements to Harbour Wealth during the year. Mr. Yeung has control over and is deemed to be interested indirectly in EIML. The Group paid service fee of approximately HK$98,000 for the year (2004: Nil). In the opinion of the directors, the fees were charged on normal commercial terms and were fair and reasonable.

(d) During the year, 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 30 April 2005, the facilities utilised 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 35(a) above) utilisation 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 utilise the banking facility.

(e) During the year, 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 a total sum of approximately HK$7,216,000. Dongguan Xin Lian is subsidiary of a minority shareholder. The purchase price was mutually agreed between the parties concerned.

(f) During the year, Kamboat Bakery purchased red wine from Kamboat Trading Limited for approximately HK$191,000 (2004: Nil). Kamboat Trading Limited is a subsidiary of a minority shareholder. The purchase price was mutually agreed between the parties concerned.

35. RELATED PARTY TRANSACTIONS (continued)

(g) During the year, Kamboat Bakery issued corporate guarantees to a bank in respect of banking facilities of approximately HK$4,670,000 (2004: Nil) granted to a subsidiary of the minority shareholder. The corporate guarantees were released during the year.

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. The corporate guarantees and the property were released upon redemption of the bank loans during the year.

(h) During the year, Kamboat Bakery sold bakery products to Kamboat Group Company Limited for approximately HK$3,265,000. Kamboat Group Company Limited is a minority shareholder. The purchase price was mutually agreed between the parties concerned.

(i) During the year, Dongguan Kamboat shared the office space of Dongguan Xin Lian and paid management fee of approximately HK$709,000 to Dongguan Xin Lian for rentals, salaries and equipment of the office. The other operating expenses of the office were paid by Dongguan Kamboat. As such, a management fee income of approximately HK$520,000 was charged to Dongguan Xin Lian for sharing of the operating expenses.

36. POST BALANCE SHEET DATE EVENT

On 12 August 2005, the Company announced that on 1 April 2005, the Company entered into an underwriting agreement (the "Underwriting Agreement") with an independent third party in relation to a rights issue of 576,005,400 new shares at HK$0.10 per share on the basis of three right shares for every ten shares held as at 31 August 2005 and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement (the "Proposed Rights Issue"). The net proceeds of the Proposed Rights Issue are estimated to be approximately HK$55 million. The directors intend to use approximately HK$30 million of the net proceeds of the Proposed Rights Issue to repay loans and the balance for general working capital of the Group.

The Proposed Rights Issue is conditional upon, among others, the Listing Committee of the Stock Exchange granting or agreeing to grant listings of and permission to deal in the shares in the Proposed Rights Issue, and is further subject to the underwriter not terminating the Underwriting Agreement. Accordingly, the Proposed Rights Issue may or may not proceed.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 August 2005.