



ORIENTAL INVESTMENT CORPORATION LIMITED

東成控股有限公司*

(Incorporated in Bermuda with limited liability)

05

Interim Report 2005

* for identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Leong (*Chairman*)

Mr. Wang Hao

Mr. Clive William Oxley

Non-executive Directors

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

REMUNERATION COMMITTEE

Dr. Chow King Wai

Mr. Chu Kar Wing

Mr. Wong Kwok Tai

EXECUTIVE COMMITTEE

Mr. Lai Leong (*Chairman*)

Mr. Wang Hao

Mr. Clive William Oxley

COMPANY SECRETARY

Mr. Chiang Chi Kin, Stephen

QUALIFIED ACCOUNTANT

Mr. Ho Yau Hong, Alfred

AUDITORS

HLB Hodgson Impey Cheng

Certified Public Accountants

31/F., Gloucester Tower

The Landmark

11 Pedder Street

Central

Hong Kong

HONG KONG SHARE REGISTRARS

Tengis Limited

Level 25, Three Pacific Place

1 Queen's Road East

Hong Kong

PRINCIPAL BANKER

The Standard Chartered Bank Limited

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

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 2005, together with the unaudited comparative figures for the six months ended 31 October 2004. These unaudited interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2005

	Notes	Unaudited Six months ended 31 October 2005 HK\$'000	2004 HK\$'000
TURNOVER	2	24,205	35,869
Cost of sales		(8,149)	(11,299)
GROSS PROFIT		16,056	24,570
Other revenue	3	4,144	12,031
Selling and distribution costs		(10,704)	(4,467)
Administrative expenses		(12,736)	(14,694)
Other operating expenses		–	(12,141)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(3,240)	5,299
Finance costs		(1,539)	(1,316)
PROFIT/(LOSS) BEFORE TAX		(4,779)	3,983
Tax	5	(608)	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(5,387)	3,983
Minority interests		1,565	113
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		(3,822)	4,096
EARNINGS/(LOSS) PER SHARE			
Basic	6	HK(0.19) cents	HK0.21 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*As at 31 October 2005*

	<i>Notes</i>	(Unaudited) 31 October 2005 HK\$'000	(Audited) 30 April 2005 HK\$'000
NON-CURRENT ASSETS			
Investment properties		146,981	146,981
Fixed assets	7	1,881	2,365
Goodwill		4,632	4,632
Deposit on property under development		32,899	32,899
Investment in securities	8	38,000	39,200
Rental and utility deposits		901	966
		225,294	227,043
CURRENT ASSETS			
Inventories		1,796	1,061
Due from related companies	9	1,141	1,141
Trade receivables	10	4,307	1,382
Prepayments, deposits and other receivables		3,022	13,636
Rental and utility deposits		759	1,049
Pledged bank deposits		1,256	–
Cash and bank balances		71,158	3,190
		83,439	21,459
CURRENT LIABILITIES			
Trade payables	11	3,064	3,382
Accrued liabilities and other payables		6,887	6,909
Other loan, secured	12	50,000	50,000
Short-term bank loan, secured	13	50,000	50,000
Deposit received		4,110	3,073
Coupon liabilities		4,470	5,068
Due to a minority shareholder		26,572	19,262
Tax payable		858	250
		145,961	137,944
NET CURRENT (LIABILITIES)/ASSETS		(62,522)	(116,485)
TOTAL ASSETS LESS CURRENT LIABILITIES		162,772	110,558
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	(15,935)	(15,935)
MINORITY INTERESTS			
		20,468	18,904
		167,305	113,527
CAPITAL AND RESERVES			
Share capital	15	249,602	192,002
Reserves	16	(82,297)	(78,475)
		167,305	113,527

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 October 2005*

	Unaudited Six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	547	3,178
Net cash (outflow)/inflow from investing activities	5,306	(56,080)
Net cash inflow from financing activities	63,371	55,655
INCREASE IN CASH AND CASH EQUIVALENTS	69,224	2,753
Cash and cash equivalents at beginning of the period	3,190	587
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	72,414	3,340
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Pledged bank deposits	1,256	–
Cash and bank balances	71,158	3,340
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	72,414	3,340

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 October 2005*

	Issued capital	Unaudited Reserves	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 May 2005	192,002	(78,475)	113,527
Issue of shares (Note)	57,600	–	57,600
Net loss for the period	–	(3,822)	(3,822)
At 31 October 2005	<u>249,602</u>	<u>82,297</u>	<u>167,305</u>
At 1 May 2004	192,002	(99,641)	92,361
Net profit for the period	–	4,096	4,096
At 31 October 2004	<u>192,002</u>	<u>(95,545)</u>	<u>96,457</u>

Note: During the period under review, the Company raised approximately HK\$57.6 million, before expenses, by issuing 576,005,400 new shares by way of a rights issue at a price of HK\$0.10 per rights shares on the basis of three rights shares for every ten existing shares held by shareholders. The said rights issue was completed on 28 September 2005, resulting in the issue of 576,005,400 new shares of HK\$0.1 each.

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 October 2005

(1) Basis of presentation and accounting policies

The unaudited condensed financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) No. 34 “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 (the “Listing Rules”).

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 30 April 2005.

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 2005, except that the Group has changed its accounting policies following its adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKAS which are effective for accounting periods commencing on or after 1 May 2005.

The following new and revised HKFRSs are relevant to the Group’s financial statements and have been adopted for the preparation of the current year’s financial statements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 28	Investments in Associates
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 40	Investment Properties
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of the above new HKFRSs has the following impact on the Group's accounting policies:

- HKAS 1 affects certain presentation and disclosures in the financial statements;
- HKAS 8 affects certain disclosure of the financial statements;
- HKASs 2, 7, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 28, 33, 37, 40 and HKFRS 2 do not significant impact on the Group's accounting policies.

With effect from 1 May, 2005 in accordance with HKFRS3 and HKAS 36, the Group no longer amortises goodwill. Such goodwill is tested annually for impairment including the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

The new policy in respect of goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 May, 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the profit and loss account for the six months ended 31 October, 2005. This has decreased the Group's loss after taxation for the six months ended 31 October, 2005 by HK \$121,900.

(2) Segmental information

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

(a) Business segments

	Investment holding		General trading		Property investment		Bakery and food		Consultancy		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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	Unaudited HK\$'000	Unaudited HK\$'000
Turnover	-	7,797	2,662	1,747	3,964	3,353	13,304	22,972	4,275	-	24,205	35,869
Other revenue	3,909	11,983	10	-	29	11	196	37	-	-	4,144	12,031
	3,909	19,780	2,672	1,747	3,993	3,364	13,500	23,009	4,275	-	28,349	47,900
Segment results	(2,033)	3,340	(166)	(29)	3,035	2,162	(3,110)	(174)	2,109	-	(165)	5,299
Unallocated other revenue											241	-
Unallocated expenses											(3,316)	-
Profit/(loss) from operating activities											(3,240)	5,299
Finance cost											(1,539)	(1,316)
Profit/(loss) before tax											(4,779)	3,983
Tax											(608)	-
Profit/(loss) before minority interest											(5,387)	3,983
Minority interest											1,565	113
Net profit/(loss) attributable to shareholders											(3,822)	4,096

(b) Geographical segments

	Taiwan		PRC		Hong Kong		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	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	7,128	8,774	17,077	25,348	24,205	35,869
Segment results	-	(29)	3,086	8,705	(3,251)	(3,377)	(165)	5,299

(3) Other revenue

	Six months ended 31 October	
	2005 Unaudited HK\$'000	2004 Unaudited HK\$'000
Amortisation of negative goodwill	–	124
Provision for doubtful debts written back	3,700	5,000
Gain on acquisition of a loan due to a minority shareholder	–	6,859
Sundry	444	48
	4,144	12,031

(4) Profit/(loss) from operating activities

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

	Six months ended 31 October	
	2005 Unaudited HK\$'000	2004 Unaudited HK\$'000
Depreciation	600	2,025
Interest on bank loans	675	352
Interest on other loan	864	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

(5) Tax

	Six months ended 31 October	
	2005 HK\$'000	2004 HK\$'000
Current tax		
– Mainland China enterprise income tax provided for the period	608	–

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 2005 (2004: Nil). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(6) Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the following data:

	Six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Earnings/(loss)	<u>(3,822)</u>	<u>4,096</u>
	Six months ended 31 October	
	2005	2004
Number of shares		
Weighted average number of shares	<u>2,026,453,780</u>	<u>1,920,018,000</u>

The denominator for the purposes of calculating basic earnings/(loss) per share for the six months ended 31 October 2005 has been adjusted to reflect the rights issue of shares in September 2005.

No diluted earnings per share for the six months ended 31 October 2005 has been disclosed as the Company had no dilutive share options outstanding during the period.

(7) Fixed assets

	<i>HK\$'000</i>
Opening net book value	2,365
Acquisition	116
Depreciation	<u>(600)</u>
Closing net book value	<u>1,881</u>

(8) Investment in securities

	Group		Company	
	31 October 2005	30 April 2005	31 October 2005	30 April 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investment securities				
Listed shares in Hong Kong, at cost	–	2,000	–	2,000
Unlisted shares, at cost	<u>7,533</u>	7,533	–	–
	7,533	9,533	–	2,000
Less: Provision for impairment	<u>–</u>	(800)	<u>–</u>	(800)
	7,533	8,733	–	1,200
Due from an investee company	<u>30,467</u>	30,467	<u>–</u>	–
	38,000	39,200	<u>–</u>	1,200
Market value of listed investments	<u>–</u>	1,200	<u>–</u>	1,200

(9) Due from related companies

	31 October 2005 HK\$'000	30 April 2005 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	1,141	–
	1,141	–
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	1,141	1,141
	1,546	1,141
Maximum debit balance during the period		
– Hong Thai Travel Services Ltd.	100	100
– 東莞新聯食品有限公司	305	1,360
– EIL Property Management Limited	1,141	1,141

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

(10) Trade receivables

The aged analysis of the trade receivables is as follows:

	31 October 2005 HK\$'000	30 April 2005 HK\$'000
Current to 3 months	3,226	1,303
4 to 6 months	1,081	78
7 to 12 months	–	–
Over one year	–	1
	4,307	1,382

(11) Trade payables

The aging analysis of the trade payables is as follows:

	31 October 2005 HK\$'000	30 April 2005 HK\$'000
Current to 3 months	1,495	1,056
4 to 6 months	1,192	158
7 to 12 months	–	266
Over one year	377	1,902
	<u>3,064</u>	<u>3,382</u>

(12) 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 2006.

(13) Short-term bank loan, secured

As at 30 April 2005 and 31 October 2005, the short-term bank loan was secured by investment properties with net book value of approximately HK\$130,000,000 and a personal guarantee given by a connected party. (For details, please refer to note 19(d))

(14) Deferred tax liabilities*(a) Deferred tax liabilities recognised*

	Accelerated depreciation		Revaluation of investment properties		Tax losses		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1 May	1,920	–	14,582	–	(567)	–	15,935	–
Acquisition of subsidiary	–	1,737	–	–	–	(446)	–	1,291
Charged to income statement	–	–	–	–	–	–	–	–
At 31 October	<u>1,920</u>	<u>1,737</u>	<u>14,582</u>	<u>–</u>	<u>(567)</u>	<u>(446)</u>	<u>15,935</u>	<u>1,291</u>

(b) Deferred tax assets not recognised

The Group has losses arising in Hong Kong of approximately HK\$40,585,705 (30 April 2005: HK\$39,294,000) 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.

(15) Share capital

	31 October 2005 HK\$'000	30 April 2005 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
576,005,400 ordinary shares of HK\$0.10 each	(Note) 57,600	–
	249,602	192,002

Note: During the period under review, the Company raised approximately HK\$57.6 million, before expenses, by issuing 576,005,400 new shares by way of a rights issue at a price of HK\$0.10 per rights shares on the basis of three rights shares for every ten existing shares held by shareholders. The said rights issue was completed on 28 September 2005, resulting in the issue of 576,005,400 new shares of HK\$0.1 each.

(16) Reserves

	Investment property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 May 2004	646	(100,287)	(99,641)
Profit for the period	–	4,096	4,096
At 31 October 2004	646	(96,191)	(95,545)
At 1 May 2005	–	(78,475)	(78,475)
Loss for the period	–	(3,822)	(3,822)
At 31 October 2005	–	(82,297)	(82,297)

(17) Capital commitments

The Company had no significant commitments as at 30 April 2005 and 31 October 2005.

(18) Operating lease commitments*(a) The Group as lessor*

The Group leases its investment properties under operating lease arrangements with a lease term of three years. The terms of the leases 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 2005 HK\$'000	30 April 2005 HK\$'000
Not later than one year	5,303	5,770
Later than one year but not later than five years	4,419	3,614
	9,722	9,384

(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 2005 HK\$'000	30 April 2005 HK\$'000
Not later than one year	3,089	7,656
Later than one year but not later than five years	1,726	3,473
	4,815	11,129

(19) 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 sale 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, the 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 drew down 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.

On 25 April 2005, the Group entered into a new loan agreement to renew the loan for a further year to 30 May 2006. During the period, loan interest of approximately HK\$1,539,000 (2004: nil) was paid.

- (b) EIL Property Management Limited (“EIL”) was appointed to provide building management services for the investment property, the 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\$670,000 (2004: HK\$56,000). The building management service fee was determined after arm’s length negotiations between the parties concerned.
- (c) Emperor Investment (Management) Limited (“EIML”) provided accounting, secretarial and professional services for the 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 fees of approximately HK\$60,000 for the period (2004: HK\$60,000). 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 a banking facility of HK\$50,000,000 granted to Harbour Wealth. As at 31 October 2005, 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 25 April 2005 (details of which are set out in note 19(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\$5,357,000 (2004: HK\$4,696,000) and HK\$122,000 (2004: HK\$142,000) respectively. Dongguan Xin Lian is a subsidiary of a minority shareholder. The purchase price was mutually agreed between the parties concerned.

(20) Post balance sheet events

On 10 November 2005, the Company entered into a conditional agreement for the acquisition of 51% of the issued share capital of Rich Crown Enterprises Limited (the "Rich Crown Acquisition") for an aggregate consideration, subject to adjustment, of about HK\$168 million. The properties to be acquired under the Rich Crown Acquisition comprise commercial and office units with a gross floor area of approximately 13,000 square meters and 135 car parks in the Hoi Tung Securities Building which is located at the Huangpu District, Shanghai, PRC and a large scale residential property development project known as the "Great Garden" to be developed on a parcel of land with a site area of about 76,000 square meters and located at the Bao Shan District, Shanghai, PRC.

Completion of the Rich Crown Acquisition will be subject to fulfillment of certain conditions and shareholders' approval at a shareholders' meeting expected to be convened by the Company during the first quarter of 2006.

On 23 December 2005, Sincere Vantage Limited ("Sincere Vantage"), a wholly-owned subsidiary of the Company, entered into a conditional agreement (the "Agreement") with Lion Castle Limited (the "Purchaser"), pursuant to which Sincere Vantage has, subject to the terms and conditions as therein set out, agreed to sell and the Purchaser has, subject to the terms and conditions as therein set out, agreed to purchase the entire issued share capital of State Empire Limited ("State Empire") and the loan outstanding from State Empire and its subsidiaries to Sincere Vantage as at completion (the "Sale Loan") at a consideration (the "Consideration") equivalent to the face value of the Sale Loan plus the consolidated net asset value of State Empire as at completion (the "State Empire Disposal").

State Empire is an investment holding company incorporated in the British Virgin Islands on 3 July 2003. Save that it is and was at all material times hereto holding the entire issued share capital of Harbour Wealth Investment Company Limited ("Harbour Wealth"), State Empire does not have any other assets and neither has it carried on any other business since its incorporation

Harbour Wealth is an investment holding company incorporated in Hong Kong on 15 July 1986, the sole asset of which is its entire interest in "Right Emperor Commercial Building" (the "Property"), a property situated at No. 122, 124 and 126 Wellington Street in Central, Hong Kong, together with the messuages erected thereon being a 24-storey commercial building with a total gross floor area of approximately 41,950 sq. ft. and has been available for use as offices and shops since 1991.

Pursuant to the Agreement, Sincere Vantage and the Purchaser have agreed with each other that the value of the Property shall be fixed at HK\$112 million for the purposes of calculating the Consideration.

Completion of the State Empire Disposal will be subject to the fulfillment of certain conditions and shareholders' approval at a shareholders' meeting expected to be convened by the Company during the first quarter of 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 31 October 2005, the Group recorded a turnover of approximately HK\$24,205,000 (six months ended 31 October 2004: HK\$35,869,000). The turnover was attributable to the property investment, hotel consultancy, bakery and trading businesses of the Group. Loss attributable to shareholders amounted to approximately HK\$3,822,000 (six months ended 31 October 2004: profit HK\$4,096,000). Loss per share was HK0.19 cents (six months ended 31 October 2004: profit per share HK0.21 cents).

BUSINESS REVIEW

Trading in the Company's shares was suspended on 2 February 2004 pending the demonstration to the satisfaction of the Stock Exchange by the Company that the continued listing of the shares of the Company was warranted pursuant to Rule 13.24 of the Listing Rules. After careful restructuring of the Group's business, trading in the shares of the Company through the facilities of the Stock Exchange resumed with effect from Monday, 15 August 2005.

Upon resumption of trading of its shares, the Company, in furtherance of its business plan as submitted to the Stock Exchange in support of its application to resume trading of the Company's shares, proposed a rights issue on the basis of three rights shares for every ten shares held by shareholders. The rights issue was completed on 28 September 2005 and raised approximately HK\$55 million for the Company.

For the six months under review, the Group's investment property in Shanghai has generated steady rental income. The Right Emperor Commercial Building (the "Right Emperor Building") in Central, Hong Kong, an investment property, has also contributed steady rental income during the period under review. However, in view of the fact that interest rates continue to escalate, the Group considers that the Hong Kong property market may be adversely affected, and accordingly has decided to dispose of the Right Emperor Building subsequent to the period under review. The proposed disposal will be subject to shareholders' approval at a shareholders' meeting expected to be convened by the Company during the first quarter of 2006.

During the period under review, the Company has concluded two consultancy agreements with hotels in the Shanghai area with a view to advising and assisting each of these hotels to achieve 5 star status. The consultancy business is not capital intensive and generated steady income for the Group during the period under review. The Group will continue to develop its consultancy business with a view to concluding further consultancy agreements.

Since completion of the acquisition of Kamboat Bakery Limited on 16 June 2004, the Group produces and distributes bakery products under the brandname of "Kamboat Bakery". The Group's operating results in respect of this segment of business has shown improvement since the Group took over the control of the operation. However due to escalating rents and fierce competition, during the six months under review, the bakery business of the Group was further trimmed down in order to reduce losses suffered from the business.

The Group's trading business, which include the distribution in Hong Kong of mobile telephones, the accessories thereto and code cards sourced within the Southeast Asia region by way of trading and the sole and exclusive distributorship in Hong Kong and Macau of cordless telephones and accessories thereof of a world-renowned manufacturer, continued to generate steady income for the Group during the period under review. However, the sole and exclusive distributorship was not renewed subsequent to the period under review.

In September 2005 the Company announced that it was exploring the possibility of entering into a joint venture with another company whereby they would pool their respective resources for the identification, development and operation of a new environmentally friendly energy-generating waste incineration plant in the PRC. The Company later that month stated that it was in doubt as to whether the proposed joint venture could eventuate. No further development has occurred up to the date of this interim report. However, the Company is reviving its interest in environment related projects and will identify and review projects in the environmental domain with a view to investing in such projects when they are considered to have good profit potential.

FUTURE PLANS AND PROSPECTS

On 10 November 2005, the Company entered into a conditional agreement for the acquisition of 51% of the issued share capital of Rich Crown Enterprises Limited (the "Rich Crown Acquisition") for an aggregate consideration, subject to adjustment, of about HK\$168 million. The properties to be acquired under the Rich Crown Acquisition comprise commercial and office units with a gross floor area of approximately 13,000 square meters and 135 car parks in the Hoi Tung Securities Building which is located at the Huangpu District, Shanghai, PRC, and a large scale residential property development project known as the "Great Garden" to be developed on a parcel of land with a site area of about 76,000 square meters and located at the Bao Shan District, Shanghai, PRC.

Upon completion, which will be subject to fulfillment of certain conditions and shareholders' approval at a shareholders' meeting expected to be convened by the Company during the first quarter of 2006, the Company expects the Rich Crown Acquisition to generate steady income, including rental and sale proceeds, for the Company.

The main focus of the Group's future businesses will be in property investment and development. However, the Group will continue with its consultancy, bakery and food and general trading businesses as long as they remain profitable. The Company will also continue to take action to improve the business portfolio of the Group and seek investment opportunities which are considered favorable to the Group's development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2005, the Group had cash and cash equivalents of HK\$72.414 million and has borrowings of HK\$100 million. The Group's net current liabilities and shareholders' funds as at 31 October 2005 were HK\$62.52 million and HK\$167.30 million respectively. The current ratio was approximately 57% (2004: 20%). The gearing ratio of the Group, based on total borrowings to Shareholders' equity was 60% (2004: 105%) as at 31 October 2005.

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

EMPLOYEE AND REMUNERATION POLICIES

As at 31 October 2005, the Group had 75 employees in Hong Kong and the PRC (2004: 125). Remuneration is determined by reference to market rates and the performance, qualifications and experience of individual employees.

DIRECTORS' INTERESTS IN SHARES

As at 31 October 2005, the interests of the directors of the Company in the shares of the Company as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

LONG POSITION

Ordinary shares of HK\$0.1 each of the Company:

Director	Nature of interest	Number of shares interested or deemed to be interested	Percentage holdings of the Company's issued share capital as at 31 October 2005
Mr. Lai Leong	Corporate (Note)	1,274,026,000	51.04%

Note: These shares were held through Wealth Success Limited, a company beneficially owned by Mr. Zhu Yi Cai (a former executive director of the Company) and Mr. Lai Leong as to 52% and 48%, respectively.

Save as disclosed above, as at 31 October 2005, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 October 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Number of shares interested or deemed to be interested	Percentage
Wealth Success Limited	Beneficial owner	1,274,026,000 (Note)	51.04%
Mr. Zhu Yi Cai	Corporate	1,274,026,000 (Note)	51.04%
Mr. Lai Leong	Corporate	1,274,026,000 (Note)	51.04%

Note: These shares were held through Wealth Success Limited, a company beneficially owned by Mr. Zhu Yi Cai (a former executive director of the Company) and Mr. Lai Leong as to 52% and 48%, respectively.

Save as disclosed above, as at 31 October 2005, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' Interests in Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

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 2005.

SHARE OPTION SCHEME

On 31 October 2002, a share option scheme which is in compliance with the amended Chapter 17 of the Listing Rules was adopted by the Company. As at 31 October 2005, no share options have been granted under the share option scheme.

AUDIT COMMITTEE

The Company set up an audit committee (the "Audit Committee") in 2000 with written terms of reference. In accordance with the requirements of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules (the "CG Code"), the terms of reference of the Audit Committee were revised on 25 August 2005 in terms substantially the same as the provisions set out in the CG Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information. The Audit Committee comprises all three independent non-executive directors of the Company.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting issues in these interim financial statements which have not been audited by the auditors of the Company.

REMUNERATION COMMITTEE

According to the CG Code, the Company established a remuneration committee (the "Remuneration Committee") on 25 August 2005 with specific written terms of reference in accordance with the CG Code. The Remuneration Committee comprises all three independent non-executive directors of the Company.

The principal responsibilities of the Remuneration Committee include making recommendations to the board of directors of the Company on the Company's policy and structure for the remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing such policy, and reviewing the specific remuneration packages of all executive directors and senior management of the Company by reference to corporate goals and objectives resolved by the board of directors of the Company from time to time.

EXECUTIVE COMMITTEE

The Company established an executive committee (the “Executive Committee”) on 25 August 2005 with specific written terms of reference. The Executive Committee comprises all the executive directors of the Company with Mr. Lai Leong acting as the Chairman.

The principal responsibilities of the Executive Committee include monitoring the execution of the Group’s strategic plans and operations of all business units of the Group and making decisions on matters relating to the management and operations of the Group.

CORPORATE GOVERNANCE

The Company has complied with the provisions of the CG Code throughout the six months period ended 31 October 2005 except code provision C.2 on internal control (which will be implemented for accounting periods commencing on or after 1 July 2005) and for the following deviations:

1. Pursuant to code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. At present, the Company has not engaged any individual to hold the office of the chief executive officer. The Chairman of the Company is also responsible for overseeing the general operations and making decisions on matters relating to the management and operations of the Group. In view of the existing business operation and the size of the Group, the Board is of the view that the present arrangement is in the interests of the Company. However, the Board will review the present arrangement periodically in order to determine, if necessary, a suitable time to engage the services of a chief executive officer.
2. Pursuant to code provision A.4.1, the non-executive directors should be appointed for a specific term and subject to re-election. At present, the non-executive directors and independent non-executive directors of the Company are not appointed for any specific terms but will be subject to retirement by rotation in accordance with the Bye-laws of the Company. The Board will review the present arrangement and propose amendments, if necessary, to its existing Bye-laws to ensure compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. Based on specific enquiry of the Company's directors, all directors of the Company confirmed that they have complied with the Model Code throughout the six months period ended 31 October 2005.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the directors of the Company, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the six months ended 31 October 2005.

CONTINGENT LIABILITIES

As at 31 October 2005, the Group has no significant contingent liabilities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31 October 2005 (six months ended 31 October 2004: Nil). No dividend was paid during the period under review.

By Order of the Board

Lai Leong

Chairman

Hong Kong, 24 January 2006