

ORIENT RESOURCES Group Company Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code : 0467)

06

INTERIM REPORT



Orient Resources Group Company Limited

The Board of Directors of Orient Resources Group Company Limited (the “Company”) hereby presents the unaudited consolidated interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2006 together with the unaudited comparative figures for the corresponding period in 2005 as follows:

Unaudited Condensed Consolidated Income Statement

For six months ended 30 September 2006

		Unaudited	
		For the six months ended	
		30 September	
		2006	2005
		HK\$'000	HK\$'000
		(restated)	
	<i>Note</i>		
Turnover	4	9,376	47,228
Direct costs		(4,239)	(42,811)
Gross profit		5,137	4,417
Other operating income		3,460	379
Administrative expense		(9,959)	(6,639)
Fair value changes in investment properties		—	17,754
(Loss)/profit from operations		(1,362)	15,911
Finance costs	5	(486)	(266)
(Loss)/profit before taxation	5	(1,848)	15,645
Income tax expense	6	(155)	(5,278)
Net (loss)/profit for the period		(2,003)	10,367
ATTRIBUTABLE TO:			
Equity holders of the Company		(2,274)	7,191
Minority interests		271	3,176
		(2,003)	10,367
(LOSS)/EARNINGS PER SHARE			
Basic	7	(0.04) cents	0.12 cents
Diluted	7	N/A	N/A

Unaudited Condensed Consolidated Balance Sheet

As at 30 September 2006

	Note	Unaudited	
		As at 30 September 2006	As at 31 March 2006
		HK\$'000	HK\$'000 (restated)
Non-current assets			
Plant and equipment	15	126	207
Prepaid lease payments	15	406,105	380,194
Properties under development	15	79,213	75,832
Deposits paid for prepaid lease payment	15	13,133	12,840
Investment properties	15	170,935	168,730
		669,512	637,803
Current assets			
Trade and other receivables	9	9,289	870
Amount due from related company		51	—
Bank balances and cash		398,127	242,212
		407,467	243,082
Current liabilities			
Trade and other payables	10	32,637	10,839
Tax payables		234	798
Amount due to directors		2,114	12,454
Amount due to a related company		12,539	13,838
Bank borrowings — due within one year		13,980	14,704
		61,504	52,633
Net current assets		345,963	190,449
Total assets less current liabilities		1,015,475	828,252
Non-current liabilities			
Bank borrowings — due after one year		297,030	290,416
Deferred tax liabilities		25,815	25,240
		322,845	315,656
Net assets		692,630	512,596
Capital and reserves			
Share capital	11	68,760	51,760
Reserves		424,546	266,215
Equity attributable to equity holders of the Company		493,306	317,975
Minority interests		199,324	194,621
		692,630	512,596

Unaudited Condensed Consolidated Statement of Change in Equity

For the six months ended 30 September 2006

	Share Capital	Share Premium	Merger Reserve (Note a)	Capital Reserve (Note b)	Property Revaluation Reserve (Note c)	Exchange Reserve	Other non- distributable reserve (Note d)	Accumulated profits/ (losses)	Minority Interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005, as previously reported	95,985	90,660	—	—	2,672	—	—	(200,304)	—	(10,987)
Effect on merger of equity interests in subsidiaries acquired during the period ended 30 September 2006 (Note 11(iii))	50,800	2,235,200	(2,285,999)	155,580	—	—	8	31,006	76,626	263,221
Balance at 1 April 2005, as restated	146,785	2,325,860	(2,285,999)	155,580	2,672	—	8	(169,298)	76,626	252,234
Consolidation of shares and reduction in capital (Note 11(i))	(95,025)	95,025	—	—	—	—	—	—	—	—
Exchange difference, recognised directly in equity	—	—	—	—	—	3,284	—	655	1,618	5,557
Profits for the period	—	—	—	—	—	—	—	7,191	3,176	10,367
Transfer	—	—	—	—	—	—	143	(143)	—	—
Contribution by minority shareholder	—	—	—	130,674	—	—	—	—	111,170	241,844
Balance at 30 September 2005	51,760	2,420,885	(2,285,999)	286,254	2,672	3,284	151	(161,595)	192,590	510,002
At 1 April 2006, as previously reported	960	185,685	—	—	2,672	—	—	(205,556)	—	(16,239)
Effect on merger of equity interests in subsidiaries (Note 11(iii))	50,800	2,235,200	(2,285,999)	286,254	—	19,763	391	27,805	194,621	528,835
Balance at 1 April 2006, as restated	51,760	2,420,885	(2,285,999)	286,254	2,672	19,763	391	(177,751)	194,621	512,596
Exchange difference, recognised directly in equity	—	—	—	—	—	7,605	—	—	4,432	12,037
Issue of shares on placement	17,000	153,000	—	—	—	—	—	—	—	170,000
Loss for the period	—	—	—	—	—	—	—	(2,274)	271	(2,003)
Balance at 30 September 2006	68,760	2,573,885	(2,285,999)	286,254	2,672	27,368	391	(180,025)	199,324	692,630

- (a) Merger reverse represents the net effect arising from the application of merger accounting for business combination resulting from transaction among entities under common control as stated in note 2.
- (b) Capital reserve represents additional cash contribution made by the minority shareholder of a subsidiary of Grand Hope.
- (c) Property revaluation reserve arose in the period before the relevant properties were classified as investment properties. On the subsequent sale or retirement of these properties, such revaluation surplus will be transferred directly to deficit.
- (d) Non-distributable reserve represents statutory reserve required to be appropriated from the profit after taxation of Grand Hope's subsidiary registered in the PRC under the PRC laws and regulations. The amount of the appropriation was at the discretion of the PRC subsidiary's board of directors.

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	Unaudited	
	For the six months ended	
	30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Net cash inflow/(outflow) from operating activities	10,874	(250,738)
Net cash outflow from investing activities	(525,452)	(25,973)
Net cash inflow from financing activities	665,087	297,459
Net increase in cash and cash equivalent	150,509	20,748
Cash and cash equivalent at 1 April	247,618	3,455
Cash and cash equivalent at 30 September	398,127	24,203

Notes to the Financial Statements

For the six months ended 30 September 2006

1. General information

The Company is an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Pursuant to the Acquisition Agreement dated 22 September 2005, the Company issued 5,080,000,000 shares at HK\$0.10 per share as consideration to acquire Grand Hope Group Limited (“Grand Hope”) and its subsidiaries (“Grand Hope Group”) (the “Acquisition”). The Acquisition was a very substantial acquisition pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“The Listing Rules”), detail of which were set out in the circular dated 31 March 2006 issued by the Company. The Acquisition was completed on 6 June 2006.

Grand Hope is a company incorporated in British Virgin Islands with limited liability on 20 February 2004. Grand Hope Group is principally engaged in the property development and investment business.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information is presented in Hong Kong dollars.

The condensed consolidated interim financial information has been approved by the board of directors on 22 December 2006.

2. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2006 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Since the Company and Grand Hope Group were both controlled by He Fu International Limited (“He Fu”) before and after the completion of Acquisition as mentioned in Note 1, the Acquisition was accounted for as a combination of entities under common control. The Company adopted the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA to prepare the condensed consolidated interim financial information (including the comparative figures), assuming that the current group structure had been in existence since He Fu controlled the Company and Grand Hope Group. Accordingly, the Group’s condensed consolidated interim balance sheet, condensed consolidated interim income statement, condensed consolidated interim statement of change in equity and condensed consolidated interim cash flow statement for the six months ended 30 September 2006 combine the financial information of the Company and entities comprising Grand Hope Group.

Orient Resources Group Company Limited

3. Principal accounting policies

The condensed financial statements have been prepared under the historical cost basis, except for certain investment properties, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006 except for the following new standards amendments to standards and interpretations which are effective for accounting period beginning on or after 1 January 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by HKICPA, with effective for accounting periods beginning on January 2006, which are relevant to its operation, include:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investments in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKAS 6	Exploration for and Evaluation of Mineral Resources
HKAS — Int 4	Determining whether an Arrangement Contains a Lease
HKAS — Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) — Int 6	Liabilities arising from participating in a Special Market — Waste Effective and Electronic Equipment (this interpretation is effective for accounting periods beginning on or after 1 December 2005)

The adoption of the above new HKFRSs has no significant impact on these condensed consolidated interim financial statements.

The Group has not early applied the following new HKFRSs that have been issued but not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial position and the results of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: disclosures ¹
HK(IFRIC) — Int 8	Scope of HKFRS 2 ²
HK(IFRIC) — Int 9	Reassessment of embedded derivatives ³

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 May 2006

³ Effective for annual periods beginning on or after 1 June 2006

Orient Resources Group Company Limited

4. Segments Information

Business segment

The Group is currently operating into two business segments, property investment and wholesale of household building materials.

Turnover of the Group represents net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and property rental income during the period. Segment information about the business is presented below:

Six months ended 30 September 2006

	Property investment	Wholesale of household building materials	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	6,354	3,022	9,376
Segment results	(313)	1,389	1,076
Unallocated corporate income			1,795
Unallocated corporate expenses			(4,233)
Loss from operations			(1,362)

Six months ended 30 September 2005

	Property investment	Wholesale of household building materials	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	6,262	40,966	47,228
Segment results	18,964	232	19,196
Unallocated corporate income			—
Unallocated corporate expenses			(3,285)
Profit from operations			15,911

Orient Resources Group Company Limited

4. Segments Information (Continued)

Geographical segment

The following table provides an analysis of the Group's turnover by geographical market irrespective of the origin of the services:

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
PRC, excluding Hong Kong	7,549	45,353
Hong Kong	1,827	1,875
	9,376	47,228

5. (Loss)/profit before taxation

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
(Loss)/profit before taxation has been arrived at after charging/(crediting) the followings:		
Other revenue:		
Interest income	(2,967)	(271)
Other income	(493)	(108)
	(3,460)	(379)
Interest on		
— bank borrowings wholly repayable within one year	486	266
Staff costs, including directors' remuneration and retirement benefit scheme contributions	1,496	2,184
Depreciation of plant and equipment	436	81
Auditors' remuneration	—	259
Amortisation of prepaid lease payments	5,036	4,881
Less: capitalised in properties under development	(5,036)	(4,881)
	—	—
Interest expenses	24,251	7,899
Less: capitalised in properties under development	(24,251)	(7,899)
	—	—

Orient Resources Group Company Limited

6. Income tax expense

	For the six months ended 30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC Income Tax	155	402
Deferred tax	—	4,876
	155	5,278

The charge for the period represents PRC Income Tax calculated at the rates of 33% prevailing in the PRC.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC local tax of 3% for the relevant periods.

7. (Loss)/Earnings per shares

(a) Basic

Basic earnings per share is calculated based on earnings attributable to equity holders of the Company during the period divided by the weighted average number of ordinary shares in issue. In accordance with the Accounting Guideline 5 issued by the HKICPA, ordinary shares also include consideration shares issued for the acquisition of Grand Hope.

	Unaudited For the six months ended 30 September	
	2006	2005
(Loss)/Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	(2,274)	7,191
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,182,169	704,942
Shares issued for the acquisition of Grand Hope Group (<i>'000</i>)	5,080,000	5,080,000
Total (<i>'000</i>)	6,262,169	5,784,942
Basic (loss)/earnings per share (<i>HK cents per share</i>)	(0.04)	0.12

(b) No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two periods ended 30 September.

Orient Resources Group Company Limited

8. Dividends

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2006 (Six months ended 30 September 2005: Nil).

9. Trade and other receivables

The trade and other receivables included trade receivable of approximately HK\$2,322,000 as at 30 September 2006 (31 March 2006: HK\$40,000). The ageing analysis of trade receivables was as follows:

	30 September 2006	31 March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	799	40
31 to 60 days	768	—
61 to 90 days	755	—
91 days or above	—	—
	2,322	40

The credit period generally granted to customers range from 0 to 90 days. The carrying amounts of trade and other receivables approximate their fair values.

10. Trade and other payables

The trade and other payables included trade payables of approximately HK\$7,060,000 as at 30 September 2006 (31 March 2006: HK\$6,970,000). The ageing analysis of trade payables was as follows:

	30 September 2006	31 March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 1 month	—	158
1 — 2 months	—	—
2 — 3 months	—	—
over 3 months	7,060	6,812
	7,060	6,970

Orient Resources Group Company Limited

11. Share capital

	<i>Note</i>	Number Shares	Amount <i>HK\$'000</i>
<i>Authorised:</i>			
As at 1 April 2005		1,600,000,000	160,000
Consolidation of shares and reduction in capital	<i>(i)</i>	(1,440,000,000)	(95,025)
Division of shares	<i>(i)</i>	6,337,447,875	—
As at 30 September 2005 and at 1 April 2006		6,497,447,875	64,975
Increase in authorised share capital	<i>(ii)</i>	13,502,552,125	135,025
As at 30 September 2006		20,000,000,000	200,000
<i>Issued and fully paid:</i>			
1 April 2005, as previously reported		959,853,750	95,985
New shares issued in connection with the very substantial acquisition during the period ended 30 September 2006	<i>(iii)</i>	5,080,000,000	50,800
Balance at 1 April 2005, as restated		6,039,853,750	146,785
Consolidation of shares and reduction in capital	<i>(i)</i>	(863,868,375)	(95,025)
Balance at 30 September 2005		5,175,985,375	51,760
At 1 April 2006, as previously reported		95,985,375	960
New ordinary shares issued in connection with the very substantial acquisition	<i>(iii)</i>	5,080,000,000	50,800
Balance at 1 April 2006, as restated		5,175,985,375	51,760
Issue of shares on placement	<i>(iv)</i>	1,699,998,000	17,000
Balance at 30 September 2006		6,875,983,375	68,760

- (i) On 8 August 2005, the Company reorganised its capital structure as follows:
- (a) consolidate 10 shares of the Company's ordinary shares of HK\$0.10 each into 1 consolidated share of HK\$1.00.
 - (b) reduce the nominal value of each issued consolidated share from HK\$1.00 share to HK\$0.01.
 - (c) sub-divide each authorised but unissued consolidated share into 100 new shares.

Orient Resources Group Company Limited

11. Share capital (Continued)

- (ii) On 26 April 2006, a resolution for the increase of authorised share capital of HK\$135,025,521.25 was duly passed during the special general meeting of shareholders of the Company. The total authorised share capital was increased to HK\$200,000,000.
- (iii) On 6 June 2006, pursuant to the Acquisition Agreement dated 22 September 2005, the Company issued and allotted 5,080,000,000 new shares at HK\$0.10 per share as consideration to acquire Grand Hope Group. In accordance with the Accounting Guideline 5 issued by the HKICPA, the share capital and premium issued for the purpose of acquiring entities under common control are recognised from the date upon which He Fu controlled the Company and Grand Hope Group. The merger reserve is also calculated in accordance with the merger accounting as depicted in that guideline.
- (iv) On 6 June 2006, the Company issued and allotted 1,699,998,000 shares at the price of HK\$0.10 per share.

12. Pledge of assets

At the balance sheet dates, the carrying amount of the assets pledged by the Group to financial institutions to secure

	30 September 2006	31 March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	170,935	168,730
Prepaid lease payments	406,105	380,194
Other assets	58	40
	577,098	548,964

As at 30 September 2006 and 31 March 2006, the Group has executed a deed of assignment over the rental proceeds from tenants arising from the lease of investment properties held by the Group to secure credit facilities granted to the Group.

13. Capital commitments

	30 September 2006	31 March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of properties under development contracted for but not provided in the financial information	189,188	184,975

Orient Resources Group Company Limited

14. Related parties transactions

During the period, the Group entered into the following transactions with related parties:

Set out below are the rated party transactions disclosed in accordance with HKAS24 which also constituted connected transactions under the Listing Rules.

		For the six months ended 30 September	
		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Related companies			
Interest expenses	<i>a, b</i>	—	7,899
Rental income	<i>c</i>	2,881	2,792
Property management fee income	<i>c</i>	1,646	1,595
Sales	<i>a, d</i>	—	40,966
Purchases	<i>e</i>	—	33,844
Other prepayment	<i>f</i>	—	200,433

- a. Director of the Company, Mr Zhang Hongwei, has beneficial interests in these related companies.
- b. Interest expense are paid to 東方家園瀋陽建築裝飾有限公司 (Orient Home Shenyang Construction Decoration Limited).
- c. Rental income and property management fee income are received from 東方家園瀋陽明湖建材家居有限公司 (Orient Home Shenyang Minghu Household Building Materials Company Limited).
- d. Sales of household building materials of approximately HK\$6,782,000 and HK\$34,184,000 are made to 東方家園有限公司 (Orient Home Company Limited) and 瀋陽恆通實業有限公司 (Shenyang Heng Tung Industrial Limited) (“Shenyang Heng Tung”) respectively.
- e. Purchases of household building materials are made from Shenyang Heng Tung.
- f. The amount represented prepayment for purchasing household building materials from Shenyang Heng Tung. 北京新宏基盛城投資有限公司 (Beijing Xinhongji Shencheng Investment Co., Ltd.), a minority shareholder of Grand Hope Group, has beneficial interest in Shenyang Heng Tung. The amounts were unsecured, interest-free and repayable on demand. As advised by the directors of Grand Hope, approximately HK\$24 million of the other prepayment was utilised to purchase household building materials subsequently and the unutilised other prepayment has been refunded by Shenyang Heng Tung to Grand Hope Group subsequent to 30 September 2005.

Orient Resources Group Company Limited

15. Capital Expenditure

	Plant and equipment	Prepaid lease payments	Properties under development	Deposit paid for prepaid lease payments	Investment properties
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the six months ended 30 September 2005					
At 1 April 2005	344	360,406	31,075	12,466	130,000
Additions	10	79	34,054	—	—
Depreciations and amortisation	(81)	(4,881)	—	—	—
Increase in fair value recognised in the income statement	—	—	—	—	16,254
Capitalisation of amortisation	—	—	4,881	—	—
Exchange adjustments	7	7,609	656	264	2,746
At 30 September 2005	280	363,213	70,666	12,730	149,000
For the six months ended 30 September 2006					
At 1 April 2006	207	380,194	75,832	12,840	168,730
Additions	351	17,252	1,653	—	—
Depreciation and amortisation	(437)	(5,036)	—	—	(1,182)
Increase in fair value recognised in the income statement	—	—	—	—	—
Capitalisation of amortisation	—	—	5,036	—	—
Exchange adjustments	5	13,695	(3,308)	293	3,387
At 30 September 2006	126	406,105	79,213	13,133	170,935

Management Discussion and Analysis

Results

For the six months ended 30 September 2006, the Group has recorded a turnover of HK\$9.38 million and a loss attributable to shareholders of the Company of HK\$2.27 million as compared to a turnover of HK\$47.23 million and a profit attributable to shareholders of HK\$7.19 million recorded for the last corresponding period in 2005.

Result Analysis

The revenue for the six months ended 30 September 2006 is mainly derived from the properties letting business in Hong Kong, the PRC of HK\$6.35 million as well as trading of household building material in the PRC of HK\$3.02 million. The decrease in turnover in 2006 as compared to the corresponding period in 2005 is primarily due to the fact that the Group has ceased trading of household building material to connected persons of the Group during the period under review.

For the six months ended 30 September 2005, the increase in other operating income from HK\$0.38 million in 2005 to HK\$3.46 million in 2006 is mainly due to the increase in interest income. The increase in administrative expenses from HK\$6.64 million to HK\$9.96 million included increase in legal expense, salary and other general expenses.

The difference on net operating result between 2005 and 2006 is mainly arisen from the changes in fair value of investment properties for the period ended 30 September 2005.

Business Review

Property letting business

Upon completion of acquisition of Grand Hope Group, the Group has, in addition to the investment property located in Hong Kong, added another source of rental and management income from a commercial building in Shenyang which will contribute an annual income of RMB9,144,800 to the Group.

Orient Resources Group Company Limited

Property investment business in Shenyang

The Group holds parcels of land in Shenyang with total site area of 328,862.8 square metres for development (“Shenyang Project”). The Group intends to develop the land for sale and leasing purpose. There is no revenue contributed from the property investment business during the period under review.

Wholesale trading of household building materials business in Shenyang

The trading of household building materials in Shenyang is on indent basis. The wholesale business contributed about HK\$3.02 million to the turnover of the Group for the six months ended 30 September 2006, showing a significant decrease as compared to HK\$40.97 million for the corresponding period in 2005. The reason for such decrease is because the Group has ceased to conduct trading with the connected persons of the Group. Though the turnover of the wholesale business dropped significantly during the period, there will not be any significant impact on the Group because its profit margin was only about 0.91%.

Liquidity and Financial Resources

The Group has a healthy financial position throughout the period under review. As at 30 September 2006, net current assets amounted to HK\$345.96 million, representing an increase of 182% from HK\$190.45 million as at 31 March 2006.

As at 30 September 2006, the outstanding bank loans of the Group is HK\$311.01 million. One of the loans of RMB300 million (approximately equivalent to HK\$297 million) drawn down by Grand Hope Group was used to finance the acquisition of the parcels of land in Shenyang, PRC. The outstanding mortgage loan as at 30 September 2006 is HK\$13,980,000.

Upon the signing of cooperation agreement with Beijing Guorui Industrial and Property Company Limited (“Beijing Guorui”) on 26 July 2006 for the development of the parcels of land in Shenyang, the Group has been eased from the pressure for raising fund to develop the land in Shenyang because, according to the cooperation agreement, the Group will contribute no further capital towards the Shenyang Projects while Beijing Guorui will be responsible for all additional capital required, which will not be less than RMB1 billion (approximately equivalent to approximately HK\$990 million), to develop the remaining parts and the overall management of the Shenyang Project, except the finance and accounting function which will be managed jointly by the Group and Beijing Guorui. Beijing Guorui will also be responsible for the repayment of the principal and interest of RMB300 million (equivalent to approximately HK\$297 million) of bank borrowing and RMB60 million (equivalent to approximately HK\$59.4 million) of corporate borrowing.

Orient Resources Group Company Limited

On 6 June 2006, the Company has raised a capital fund of approximately HK\$170 million by placing 1,699,998,000 shares at HK\$0.10 per share. The placing of new shares further improve the financial position of the Group. As at 30 September 2006, the bank balances and cash on hand of the Group is HK\$398.13 million.

The gearing ratio, being the total liabilities over total assets, improved to 36% as at 30 September 2006 from 42% as at 31 March 2006.

Prospects

On 6 June 2006, the Company had completed the acquisition of Grand Hope Group, a group of companies which principally engaged in property development and investment business in Shenyang Province, the PRC. The Directors hold a positive view regarding the prospect of the property market in Shenyang and the PRC, therefore, the acquisition of Grand Hope Group avails the Group to participate in Shenyang and PRC property market. The Directors believe the acquisition is in the interest of the Company and its shareholders as a whole.

On 26 July 2006, the Group has entered into a cooperation agreement with Beijing Guorui on the development of Shenyang Project. The Directors believe the Group will be benefited from the synergy on the cooperation as it will bring positive return to the Group, thus will reserve more fund to the Group for potential investments.

On 10 November 2006, the Group has entered into a sale and purchase agreement with an independent third party to dispose the property located in Hong Kong in order to realize its long-term investment when the property market in Hong Kong is at a boom. The Directors are of the view that the turnover of the Group will not be substantially affected, given the stable letting and management business in the PRC. The disposal will reduce the Group's borrowing and future interest expenses and further improve its financial position and the working capital condition. The Directors anticipate that the turnover of the Group will be further expanded following the completion of the various phases of the Shenyang Project.

Employees

At 30 September 2006, the Group employed a total of 40 full time employees in Hong Kong and the PRC.

Employees' remuneration package was reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Remuneration package includes basic salaries, year end bonus, medical and retirement benefit schemes.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 September 2006.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's transactions were mainly denominated in Hong Kong Dollars and Renminbi. As the exchange rate between the two currencies is relatively stable, the exposure to fluctuations in the exchange rate of the currencies is minimal. Accordingly, no hedge on the currencies was made during the period under review.

Purchase, Sale or Redemption of Shares

For the period ended 30 September 2006, the Company has not redeemed any of its shares nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Compliance with the Code on Corporate Governance Practices

The Company is committed to upholding high standards of corporate governance practices and has adopted corporate governance practices in conformity with the Code on Corporate Governance Practices (the “Code”) and has complied with the Listing Rules of The Hong Kong Stock Exchange Limited (the “Stock Exchange”).

The Company has complied with the Code, except the followings:

Code A2.1: The Company does not have the post of chief executive officer. The executive function of the Company is performed by the executive directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive directors.

Code A4.1: There is no specific terms on the appointment of non-executive directors. However, the non-executive directors are subject to retirement by rotation at least once every three years in accordance with the Company’s Bye-laws. The Board therefore considers that the quality of good corporate governance will not be impaired.

Directors’ Securities Transactions

The Company has adopted the code of conduct with respect to the dealings in securities of the Company by the directors as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the directors, the Company confirmed that they all have complied with the required standard as set out in the Model Code during the period ended 30 September 2006.

Audit Committee

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial statements for the period ended 30 September 2006 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

Publication of Results on the Stock Exchange's Website

A detailed interim report containing all the information required by paragraph 46(1) to 46(9) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board

Zhang Hongwei

Chairman

Hong Kong, 22 December 2006

As at the date of this Report, the executive directors of the Company are Mr Zhang Hongwei, Mr Zhu Jun and Ms Zhang Meiyong, and independent non-executive directors are Mr Chau Siu Wai, Mr San Fung and Mr Zhu Chengwu.