



ORIENTAL INVESTMENT CORPORATION LIMITED

東成控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 735



Interim Report
2006

* for identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Leong (*Chairman*)
Mr. Wang Hao
Mr. Clive William Oxley OBE, ED

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

CCIF CPA Limited
Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

HONG KONG SHARE REGISTRARS

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, 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

Suite 904-5, 9th Floor
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 2006, together with the unaudited comparative figures for the six months ended 31 October 2005. These unaudited interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2006

		Unaudited for the six months ended 31 October	
		2006	2005
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER	2	26,399	24,205
Cost of sales		(1,592)	(8,149)
GROSS PROFIT		24,807	16,056
Other revenue	3	4,138	4,144
Gain on disposal of subsidiaries		15,857	–
Fair value changes on investment properties		(8,953)	–
Selling and distribution costs		(1,997)	(10,704)
Administrative expenses		(12,463)	(12,736)
Other operating expenses		(4,431)	–
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	16,958	(3,240)
Financial expenses		(10,067)	(1,539)
PROFIT/(LOSS) BEFORE INCOME TAX		6,891	(4,779)
Income Tax	5	2,208	(608)
PROFIT/(LOSS) FOR THE PERIOD		9,099	(5,387)
Attributable to:			
Equity holders of the Company		10,289	(3,823)
Minority interests		(1,190)	(1,565)
		9,099	(5,387)
Dividends		–	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY			
– Basic	6	0.41 cents	(0.19 cents)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

For the six months ended 31 October 2006

	Notes	Unaudited for the six months ended 31 October 2006 HK\$'000	Audited for the year ended 30 April 2006 HK\$'000
NON CURRENT ASSETS			
Investment properties		569,792	133,068
Fixed assets	7	4,448	3,230
Goodwill		37,034	–
Deferred tax assets		2,452	–
Available-for-sale financial assets		–	7,533
Investment in associate		6,642	–
Deposit on property under development		–	32,899
		620,368	176,730
CURRENT ASSETS			
Inventories		10	16
Trade receivables	8	3,843	741
Prepayment, deposit and other receivables		63,727	32,479
Due from an investee company		–	30,467
Property under development for sale		1,162,562	–
Deposit for utilities and rent		1,122	1,213
Cash and bank balances		61,242	40,436
		1,292,506	105,353
CURRENT LIABILITIES			
Trade payables	9	(29,126)	(455)
Accruals and other payables		(79,057)	(4,240)
Deposit received		(235,024)	(7,184)
Coupon liabilities		(5,794)	(6,322)
Due to a minority shareholders		(18,279)	(20,201)
Other loans, secured	10	(16,767)	(50,000)
Bank loan, secured	11	–	(50,000)
Tax payable		(30,756)	(1,552)
		(414,803)	(139,955)
Net current assets/(liabilities)		877,703	(34,602)
Total assets less current liabilities		1,498,071	142,128
NON-CURRENT LIABILITIES			
Deferred income tax	12	(192,720)	(13,660)
Bank loans, secured	13	(786,207)	–
		(978,927)	(13,660)
Net assets		519,144	128,468
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	249,602	249,602
Accumulated losses	15	(93,072)	(103,360)
		156,531	146,242
Minority interest		362,613	(17,774)
Total equity		519,144	128,468

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 October 2006*

	Unaudited	
	Six months ended	
	31 October	
	2006	2005
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	(12,056)	547
Net cash (outflow)/inflow from investing activities	62,862	5,306
Net cash inflow from financing activities	(30,000)	63,371
INCREASE IN CASH AND CASH EQUIVALENTS	20,806	69,224
Cash and cash equivalents at beginning of the period	40,436	3,190
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	61,242	72,414
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Pledged bank deposits	–	1,256
Cash and bank balances	61,242	71,158
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	61,242	72,414

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 October 2006*

	Share capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2005				
– Attributable to the equity holders of the Company (as previously reported)	192,002	(78,475)	–	113,527
– Minority interests (as previously presented separately)	–	–	(18,904)	(18,904)
At 1 May 2005 (as restated)	192,002	(78,475)	(18,904)	94,623
Issue of shares under a rights issue (<i>Note</i>)	57,600	–	–	57,600
Loss for the period	–	(3,822)	(1,565)	(5,387)
At 31 October 2005	<u>249,602</u>	<u>(82,297)</u>	<u>(20,469)</u>	<u>146,836</u>
At 1 May 2006	249,602	(103,360)	(17,774)	128,468
Acquisition of subsidiaries	–	–	381,577	381,577
Profit for the period	–	10,289	(1,190)	9,099
At 31 October 2006	<u>249,602</u>	<u>(93,071)</u>	<u>362,613</u>	<u>519,144</u>

Note: On 28 September 2005, 576,005,400 new ordinary shares of the Company of HK\$0.10 each were issued on the basis of three rights shares for every ten existing shares. The net proceeds receivable by the Company under the rights issue are approximately HK\$55 million.

NOTES TO CONDENSED FINANCIAL STATEMENTS*For the six months ended 31 October 2006***(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 2006.

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 2006, except that the Group has changed its accounting policies following its adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are effective for accounting periods commencing on or after 1 May 2006.

The HKICPA has issued a number of new or revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the following new or revised HKFRSs which are relevant to its operations:

HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
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In accordance with the amendments to HKAS 39 and HKFRS 4 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

The adoption of the above new or revised HKFRSs has had no material impact on the Group's condensed consolidated financial statements.

The Group has not early adopted the following new or revised HKFRSs which have been issued but have not yet become effective, in these condensed consolidated financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The adoption of these new or revised HKFRSs is not expected to result in material impact on the Group's financial statements in the period of initial application.

ORIENTAL INVESTMENT CORPORATION LIMITED

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(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	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	-	-	112	2,662	15,810	3,964	6,722	13,304	4,500	4,275	27,144	24,205
Other revenue	18,737	3,909	-	10	3,857	29	2	196	-	-	22,596	4,144
	18,737	3,909	112	2,672	19,667	3,993	6,724	13,500	4,500	4,275	49,740	28,349
Segment results	10,751	(2,033)	110	(166)	7,824	3,035	1,987	(3,110)	1,610	2,109	22,282	(165)
Unallocated other revenue											196	241
Unallocated expenses											(5,520)	(3,316)
Profit/(loss) from operating activities											16,958	(3,240)
Finance cost											(10,067)	(1,539)
Profit/(loss) before tax											6,891	(4,779)
Tax											2,208	(608)
Profit/(loss) before minority interest											9,099	(5,387)
Minority interest											1,190	1,565
Net profit/(loss) attributable to shareholders											10,289	(3,822)

(b) Geographical segments

	PRC		Hong Kong		Consolidated	
	2006	2005	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	19,403	7,128	7,741	17,077	27,144	24,205
Segment results	9,434	3,086	12,848	(3,251)	22,282	(165)

(3) Other revenue

	Six months ended	
	31 October	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Share of profit from an associate	730	–
Provision for obsolete stock written back	110	–
Provision for doubtful debts written back	–	3,700
Gain on exchange	3,211	–
Sundry	87	444
	4,138	4,144

(4) Profit/(loss) from operating activities

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

	Six months ended	
	31 October	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	290	600
Interest on bank loans	–	675
Interest on other loan	411	864
Loss on written off of fixed assets	527	–

(5) Tax

Provision for Hong Kong profit tax has been provided at the rate of 17.5% on the estimated assessable profit for the current period.

	Six months ended	
	31 October	
	2006	2005
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	282	–
– Mainland China enterprise income tax provided for the period	–	608
Deferred income tax	(2,490)	–
	<u>2,208</u>	<u>608</u>

(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	
	2006	2005
	HK\$'000	HK\$'000
Earnings/(loss)	<u>10,289</u>	<u>(3,822)</u>

	Six months ended	
	31 October	
	2006	2005
Number of shares		
Weighted average number of shares	<u>2,496,023,400</u>	<u>2,026,453,780</u>

No diluted earnings per share for the six months ended 31 October 2006 have 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	3,230
Acquisition of subsidiaries	2,040
Disposal of subsidiaries	(5)
Loss on written off of fixed assets	(527)
Depreciation	(290)
Closing net book value	<u>4,448</u>

(8) Trade receivables

The aged analysis of the trade receivables is as follows:

	31 October 2006 <i>HK\$'000</i>	30 April 2006 <i>HK\$'000</i>
Current to 3 months	3,410	321
4 to 6 months	117	421
7 to 12 months	316	–
Over one year	–	–
	<u>3,843</u>	<u>742</u>

(9) Trade payables

The aging analysis of the trade payables is as follows:

	31 October 2006 <i>HK\$'000</i>	30 April 2006 <i>HK\$'000</i>
Current to 3 months	–	38
4 to 6 months	–	–
7 to 12 months	–	–
Over one year	29,126	418
	<u>29,126</u>	<u>456</u>

(10) Other loans, secured

(a) As at 30 April 2006, a revolving loan bearing interest at 3% per annum, secured by legal charges over the shares and shareholder's loan of State Empire Limited and Harbour Wealth Investment Company Limited, both of which are wholly-owned subsidiaries of the Group as at 30 April 2006. The loan has been fully settled on 19 June 2006. (b) A HK\$9 million promissory note, bearing interest at 2% per annum was issued by King Vantage Limited, a wholly-owned subsidiary of the Group, due for repayment by 23 November 2007. (c) An amount of approximately HK\$7.8 million from a bank in the PRC, which was secured by the Group's office property in Shanghai, the PRC.

(11) Short-term bank loan, secured

As at 30 April 2006, the short-term bank loan was secured by investment properties with net book value of approximately HK\$115,000,000 and a personal guarantee given by Mr. Yeung Sau Shing, Albert. The bank loan has been fully settled on 19 June 2006.

(12) Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

The major deferred income tax liabilities/(assets) recognised by the Group during the current period are as follows:

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2006	2,356	12,065	(761)	13,660
Acquisition of subsidiaries	–	194,017	–	194,017
Disposal of subsidiaries	–	(12,467)	–	(12,467)
Charge/(credit) to income statement	–	(2,490)	–	(2,490)
At 31 October 2006	2,356	191,125	(761)	192,720

The Group has tax losses arising in Hong Kong and Mainland China of approximately HK\$34,128,000 (2005: HK\$39,294,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred income tax assets have not been recognised in respect of these losses as these companies have been loss-making for some years.

(13) Bank loan, secured

As at 31 October 2006, the Group had total bank loans of approximately RMB798 million, which were secured by mortgages over certain units of the Hoi Tong Securities Building and its residential development project at the Bao Shan District, Shanghai, PRC. About RMB600 million is due for repayment by April 2008 and about RMB198 million is to be repaid annually at the rate of 8% to 13% of the principal balance per annum with full payment of the remaining balance by June 2013.

(14) Share capital

	31 October 2006	
	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each	<u>6,000,000</u>	<u>600,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	<u>2,496,023</u>	<u>249,602</u>

(15) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity on page 5 of the financial statements.

(16) Operating lease arrangements

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

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Not later than one year	<u>2,328</u>	2,034
Later than one year but not later than five years	<u>1,536</u>	<u>767</u>
	<u>3,864</u>	<u>2,801</u>

(17) 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, Harbour Wealth has drawdown a bank loan of HK\$50,000,000 for partial repayment of the State Empire Loan.

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

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

During the period ended 31 October 2006, a loan interest of approximately HK\$411,000 was paid.

On 26 April 2005, a deed of release (the "Deed") was signed between (i) Wealth Success Limited; (ii) Emperor Securities Limited; (iii) Mr. Lai Leong and (iv) Mr. Wang Hao. According to the Deed, the charge over the shares of the Company held by Wealth Success Limited which had been pledged to ESL has been released and the loan granted from ESL to Wealth Success Limited has been fully settled. Therefore, Mr. Yeung is no longer a connected person of the Company.

- (b) EIL Property Management Limited (“EIL”) was appointed to provide building management services for the investment property, Right Emperor Commercial Building. Mr. Yeung has control over and is deemed to be interested indirectly in EIL. The building management service fee paid by the Group for the period ended 31 October 2006 was approximately HK\$198,000. The building management service fee was determined after the arm’s length negotiation between the parties concerned.

(18) Event after the balance sheet date

(a) *Letter of intent*

On 25 November 2006, the Company entered into a letter of intent with 東莞市粵豐實業投資有限公司, an Independent Third Party, confirming the intention of the Company to acquire a controlling equity interest in 東莞市科偉環保電力有限公司, the consideration and other terms of which will be subject to further negotiations between the two parties.

(b) *Placing and Subscription*

On 27 November 2006, Wealth Success Limited (“Wealth Success”), a substantial shareholder of the Company, and BNP Paribas Peregrine Capital Limited (the “Placing Agent”) entered into a conditional Placing Agreement pursuant to which (a) the Placing Agent has agreed to place, on a fully underwritten basis, 400,000,000 Placing Shares held by Wealth Success to Independent Third Parties at HK\$0.275 per Placing Share; and (b) Wealth Success has agreed to grant the Placing Agent the Option.

On the same date, the Company and Wealth Success entered into a conditional Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue 400,000,000 Subscription Shares at HK\$0.275 per Subscription Share.

The Placing Shares represent approximately 14.18% of the existing issued share capital of the Company as at 27 November 2006 and approximately 12.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Placing will reduce the shareholding of Wealth Success from about 45.16% to 30.98% of the existing issued share capital of the Company. The Subscription will then increase the shareholding of Wealth Success to approximately 39.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares excluding the Option and approximately 33.97% of the issued share capital of the Company if the Placing Agent is to exercise its right under the Option in full.

On 8 December 2006,

- (a) the Placing of a total of 580,000,000 Placing Shares (which included the exercise of the Option in full in respect of 180,000,000 Shares) was completed on 30 November 2006. The Placing Shares were placed to more than six Placees, who are Independent Third Parties and no Placee has become a substantial Shareholder immediately upon completion of the Placing; and
- (b) Wealth Success completed the Subscription of 400,000,000 new Shares on 8 December 2006. Immediately upon the completion of the Subscription, the shareholding of Wealth Success amounted to approximately 33.97% of the issued share capital of the Company.

The shareholding structure of the Company as at 8 December 2006 was as follows:

Name of Shareholder	Shareholding	
	Number of Shares	%
Wealth Success Limited and its concerted parties		
China Power International New Energy Development Limited	1,094,026,000	33.97
Placees	325,000,000	10.09
Public	580,000,000	18.00
	<u>1,221,997,400</u>	<u>37.94</u>
Total	<u>3,221,023,400</u>	<u>100.00</u>

- (c) On 22 December 2006, the Company, China Power (New Energy) Holdings Limited, a wholly-owned subsidiary of the Company, entered into a framework agreement with China Power International New Energy Development Limited, the terms and conditions of which are to be prescribed in the Formal Agreement, pursuant to which China Power (New Energy) Holdings Limited has agreed to acquire and China Power International New Energy Development Limited has agreed to sell 100% of the issued share capital of Tianhan Development for an aggregate consideration of HK\$232 million.

The consideration of HK\$232 million pursuant to the Framework Agreement was to be satisfied in full in the following manner:

- (i) HK\$182 million by way of the issue of 700,000,000 Shares at an issue price of HK\$0.26 per Share; and
- (ii) HK\$50 million by way of the issue of a convertible note in a principal amount of HK\$50 million with an initial conversion price of HK\$0.40 per Share

by the Company to China Power International New Energy Development Limited upon Completion.

On 28 December 2006, the Company, China Power (New Energy) Holdings Limited and China Power International New Energy Development Limited entered into the Supplemental Agreement to amend the terms of the Framework Agreement to the effect that the consideration of HK\$232 million was to be satisfied in full in the following manner:

- (i) HK\$102.7 million by way of the issue of 395,000,000 Consideration Shares at an issue price of HK\$0.26 per Share; and
- (ii) HK\$129.3 million by way of the issue of a convertible note in a principal amount of HK\$129.3 million with an initial conversion price of HK\$0.30 per Share

by the Company to China Power International New Energy Development Limited upon Completion.

On 16 January 2007, the Company, China Power (New Energy) Holdings Limited and China Power International New Energy Development Limited entered into the Second Supplemental Agreement to amend the terms of the Framework Agreement (as amended by the Supplemental Agreement) to the effect that China Power (New Energy) Holdings Limited has agreed to acquire and China Power International New Energy Development Limited has agreed to sell 44% of the issued share capital of Tianhan Development Limited for an aggregate consideration of HK\$102.7 million which is to be satisfied in full by way of the issue of 395,000,000 Consideration Shares at an issue price of HK\$0.26 per Share by the Company to China Power International New Energy Development Limited upon Completion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 31 October 2006, the Group recorded a turnover of approximately HK\$26.4 million (six months ended 31 October 2005: HK\$24.2 million). The turnover was attributable to the property investment, hotel consultancy, bakery and trading business of the Group. Profit attributable to shareholders amounted to approximately HK\$10.3 million (six months ended 31 October 2005: loss HK\$3.8 million). Profit per share was HK0.41 cents (six months ended 31 October 2005: loss HK0.19 cents).

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

During the period under review, the Group's investment properties in Shanghai continued to generate steady rental income.

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 took place on 24 May 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, subject to the terms and conditions as therein set out, agreed to sell and the Purchaser, 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 the “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 square meters and which has been available for use as offices and shops since 1991.

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

Completion of the State Empire Disposal took place on 19 June 2006.

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”. Due to escalating rents and fierce competition during the year under review, the bakery business of the Group was further trimmed down in order to reduce losses suffered from the business.

During the period under review, the Company continued to carry out its consultancy business pursuant to 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 year under review.

On 15 September 2006, China Power (New Energy) Holdings Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement with China Power International New Energy Development Limited, for the acquisition of (a) 100% of the issued share capital of Tianwo Development Limited, the legal and beneficial owner of the entire issued share capital of Zhongdian Hongze RSTP Plant and (b) 100% of the issued share capital of Tianwo Holdings Limited, the legal and beneficial owner of 60% equity interest in the issued share capital of Zhongdian Hongze Thermal Power Company Limited.

The acquisitions of Tianwo Development Limited and Tianwo Holdings Limited were completed on 27 November 2006.

At present, the Group is continuing to identify for its consideration certain new projects which are involved in the business of environmentally friendly, energy-generating, including renewable energy-generating, projects in various provinces in the PRC. The Company is in the process of seeking and obtaining further information in respect of these projects which prima facie appear to the Company to warrant further exploration.

In this connection, the Company entered into a letter of intent with Dongguan City Yuet Fang Industrial Investment Company Limited on 25 November 2006, confirming the intention of the Company to acquire a controlling equity interest in Dongguan City Kewei Environmental Power Company Limited, the consideration and other terms of which will be subject to further negotiations between the two parties. Dongguan City Kewei Environmental Power Company Limited is principally engaged in the operation of a waste incineration power plant in Dongguan, PRC. The waste incineration power plant started operation in July 2005 and occupies a site area of over 170 acres. Currently, the power plant has a capacity of processing approximately 400,000 tons domestic garbage per year generating approximately 700 MW of electricity for sale per day.

To facilitate the Group's acquisition of suitable investments and to further enhance the Group's working capital, the Company completed a fund raising exercise on 8 December 2006 by way of the placing of existing shares and subscription for new shares. The net proceeds, after deducting the related placing commission, professional fees and all related expenses, amounted to approximately HK\$106 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2006, the Group had cash and cash equivalents of HK\$61.2 million and has borrowings amounting to HK\$786.2 million. The Group believes that its liquid asset value and future revenue will be sufficient to fund existing working capital requirements. The gearing ratio of the Group, based on total borrowings to shareholders' equity, was 500% as at 31 October 2006 (2005: 60%).

Significant foreign currency exposure was not expected by the Group since most of the revenue generated from the sales and the payment for purchases of materials, equipment and salaries are made in Hong Kong dollars, Renminbi or US dollars. No financial instruments for hedging purposes are used by the Group.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 October 2006, the Group had 110 employees in Hong Kong and the PRC (2005: 75). Remuneration is determined by reference to market rates and the performance, qualifications and experience of individual employees.

CONTINGENT LIABILITIES

As at 31 October 2006, the Group did not have any significant contingent liabilities.

DIRECTORS' INTERESTS IN SHARES

As at 31 October 2006, 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 2006
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 2006, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares 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 were taken or deemed to have been taken 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 2006, 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 holding
Wealth Success Limited	Beneficial owner	1,274,026,000 (Note)	51.04%
Mr. Lai Leong	Corporate	1,274,026,000 (Note)	51.04%
Mr. Zhu Yi Cai	Corporate	1,274,026,000 (Note)	51.04%

Note: These shares were held by Wealth Success Limited which was beneficially owned by Mr. Zhu Yi Cai and Mr. Lai Leong as to 52% and 48% respectively. Such interest was also disclosed as the interest of Mr. Lai Leong in the above section headed "Directors' interests in shares".

Save as disclosed above, as at 31 October 2006, no person, other than the directors of the Company whose interests were 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 2006.

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 2006, no share options had been granted under the share option scheme.

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 was 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 2006.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions on Corporate Governance (the "Code Provision(s)") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 October 2006 except for the following deviations:

1. Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. At present, the chairman of the Company is also responsible for overseeing the general operations of the Group. The Company does not at present have any office with the title "Chief Executive Officer". 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 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 Code Provision.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements as set out in Appendix 14 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. To comply with the new requirement under the Code of Corporate Governance Practices, new terms of reference for the audit committee were adopted on 25 August 2005. The audit committee comprises the three independent non-executive directors of the Company. The present members of the audit committee are Dr. Chow King Wai, Mr. Chu Kar Wing and Mr. Wong Kwok Tai. Mr. Chu Kar Wing is the chairman of the committee.

The Group's interim report for the six months ended 31 October 2006 has been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company has a remuneration committee which was established with written terms of reference on 25 August 2005 pursuant to the provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The primary role of the remuneration committee is to ensure that there is a formal and transparent procedure adopted by the Company for developing policies on, and for overseeing, the remuneration packages of all the directors of the Company. The remuneration committee comprises the three independent non-executive directors of the Company. The present members of the remuneration committee are Dr. Chow King Wai, Mr. Chu Kar Wing and Mr. Wong Kwok Tai. Mr. Chu Kar Wing is the chairman of the committee.

EXECUTIVE COMMITTEE

The Company has a executive committee which was established on 25 August 2005 with specific written terms of reference. The primary role of the executive committee includes monitoring the execution of the Group's strategic plans and operation of all business units of the Group and making decisions on matters relating to the management and operations of the Group. The executive committee comprises the three executive directors of the Company. The present members of the executive committee are Mr. Lai Leong, Mr. Wang Hao and Mr. Clive William Oxley. Mr. Lai Leong is the chairman of the committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its own code of conduct for dealings in securities of the Company by directors on the terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code and the Company's own code throughout the six months ended 31 October 2006.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31 October 2006 (six months ended 31 October 2005: Nil). No dividend was paid during the period under review.

By Order of the Board

Lai Leong

Chairman

Hong Kong, 19 January 2007