ORIENT INDUSTRIES HOLDINGS LIMITED
東方工業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 353)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

The board of directors (the "Board" or "Directors") of Orient Industries Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 30 June 2005 (the "Period"). The unaudited condensed consolidated financial statements were not audited but have been reviewed by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the period ended 30 June 2005

	Notes	Six months ended 30 June 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Turnover	3	**16,477**	6,871
Cost of sales		**(13,999)**	(9,747)
Gross profit/(loss)		**2,478**	(2,876)
Other income		**254**	547
Distribution expenses		**(3,082)**	(612)
Administrative expenses		**(13,017)**	(6,371)
Other operating income		**–**	14
Gain on disposal of properties		**–**	5,340
Write back of provision for loan receivables		**–**	900
Finance costs	6	**(1,323)**	(1,583)
Loss before taxation	5	**(14,690)**	(4,641)
Taxation	7	**–**	–
Loss for the period		**(14,690)**	(4,641)
Dividend	8	**–**	–
Loss per share	9		
– Basic, HK cents		**7.8**	2.0#
– Diluted, HK cents		**6.4**	N/A
Attributable to :			
Equity holders of the Company		**(13,178)**	(2,401)
Minority interests		**(1,512)**	(2,240)
		(14,690)	(4,641)

Restated

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2005

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, Plant and Equipment		**75,774**	79,000
Leasehold interest in land		**3,616**	3,656
Goodwill		**35,750**	35,750
		115,140	118,406
Current Assets			
Inventories		**2,246**	1,524
Trade receivables	10	**52,433**	51,711
Other current assets		**1,802**	2,514
Cash and bank balances		**4,937**	1,340
		61,418	57,089
Total assets		**176,558**	175,495
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	**2,085**	134,000
Convertible note	13	**33,000**	–
Reserves		**168,570**	7,725
Accumulated losses		**(74,601)**	(61,423)
		129,054	80,302
Minority interests		**(1,323)**	200
Total equity		**127,731**	80,502
Non-current liabilities			
Long-term borrowings		**–**	17,695
Current liabilities			
Trade payables	11	**8,553**	11,413
Interest-bearing bank borrowings		**3,280**	10,049
Finance lease payable		**–**	139
Other payables and accruals		**24,954**	39,713
Other loans		**8,523**	12,392
Tax payables		**3,517**	3,592
Total current liabilities		**48,827**	77,298
Total liabilities		**48,827**	94,993
Total equity and liabilities		**176,558**	175,495

* *For identification purposes only*

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004 annual financial statement. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Report Standards (HKFRSs, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value.

The accounting and basis of preparation adopted in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for the accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life. The Group has applied the relevant transitional provision in HKFRS 3 "Business Combinations". With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the Period. The carrying amount of accumulated amortisation of approximately HK$35,750,000 was eliminated with a corresponding decrease in goodwill as at 1 January 2005.

Leases

The adoption of HKAS17 "Leases" has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at cost less accumulated depreciation and impairment losses which were classified as property, plant and equipment in the balance sheet. In accordance with the provision of HKAS17, a leasehold interest in land and building should be split into a leasehold interest in land and building in proportion to the relative fair values of the leasehold interest in land element and the building element at the inception of the lease. The up-front payment for leasehold interest in land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciation and impairment losses. The change in accounting policy has been applied retrospectively.

3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Period. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

(i) on a primary segment reporting basis, by business segment; and

(ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the manufacture of carpets segment represents the manufacture and sale of carpets under the Group's own brand name; and

(b) the trading of carpets segment represents the trading of carpets of other renowned brand names.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers.

(a) Business segments

The following table presents revenue and results for the Group's business segments.

	Manufacture of carpets six months ended 30 June		Trading of carpets six months ended 30 June		Consolidated six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**2,816**	5,122	**13,661**	1,749	**16,477**	6,871
Segment results	**(5,304)**	(4,570)	**(3,635)**	(3,649)	**(8,939)**	(8,219)
Unallocated revenue					**254**	135
Unallocated expenses					**(4,682)**	(1,214)
Loss from operating activities					**(13,367)**	(9,298)
Finance costs					**(1,323)**	(1,583)
Gain on disposal of properties					**–**	5,340
Write back of provision for loan receivables					**–**	900
Loss before taxation					**(14,690)**	(4,641)
Taxation					**–**	–
Loss before minority interests					**(14,690)**	(4,641)
Minority interests					**1,512**	2,240
Loss attributable to Shareholders					**(13,178)**	(2,401)

(b) Geographical segments

The following table presents revenue and results for the Group's geographical segments.

	Hong Kong Six months ended 30 June		Elsewhere in The people's Republic of China (the "PRC") Six months ended 30 June		Consolidated Six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**13,661**	1,843	**2,816**	5,028	**16,477**	6,871
Segment results	**(7,411)**	(2,932)	**(1,528)**	(5,287)	**(8,939)**	(8,219)

5. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**13,999**	5,583
Depreciation	**3,155**	3,848
Loss on disposal of short term investment	**–**	88
Write back of staff and directors' salaries	**–**	2,913
Staff costs	**3,029**	3,637

6. FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**1,323**	1,583

7. TAXATION

No provision for Hong Kong profits tax is required since the Group has no estimated assessable profit for the Period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislating, interpretations and practices in respect thereof. No deferred tax assets have been provided in the accounts as the Directors consider that it is uncertain that they will crystallize in the foreseeable future.

8. DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the Period (2004: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$13,178,000 (2004: 2,401,000) and on the weighted average number of 168,480,663 (six months ended 30 June 2004: 1,245,000,000, restated) shares in issue during the Period assuming the effect of the share capitalisation had been in place throughout the Period.

The diluted earnings per share for the Period is based on the loss attributable to equity holders of the Company of HK$13,178,000 is based on 206,464,088 shares which is the weighted average number of shares in issue during the Period plus the weighted average number of 168,480,663 shares deemed to be issued if all the convertible notes in the aggregate principal amount of HK$33,000,000 had been converted into 275,000,000 shares at a conversion price of HK$0.12 per share (note 18). As there was no dilutive potential ordinary shares during the six months ended 30 June 2004, no diluted loss per share was presented.

10. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 120 days to established customers.

An aging analysis of the trade receivables, net of provisions, as at the balance sheet date, based on the date of recognition of the sales, is as follows:

	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
1-90 days	**3,497**	3,163
91-120 days	**411**	565
121-365 days	**575**	33
Over 1 year	**47,950**	47,950
	52,433	51,711

11. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
1-90 days	**1,574**	3,118
91-120 days	**642**	1,011
121-365 days	**880**	572
Over 1 year	**5,457**	6,712
	8,553	11,413

12. CONVERTIBLE NOTE

In June 2005, the Company completed a subscription agreement for the issue of convertible note in an aggregate principal of HK$33 million to the subscriber. The subscriber has the right to convert the whole integral multiple of HK$1 million of the principal amount of the convertible note into shares at any times before the maturity date falling on the second anniversary of the date of issue of the convertible note at the initial conversion price of HK$0.12 per share.

13. POST BALANCE SHEET EVENT

On 9 August 2005, the Company received a conversion notice from L & L Holdings Limited in respect of the Convertible Note in an aggregate principal amount of HK$33,000,000, pursuant to which L & L Holdings Limited exercised the conversion rights in full attaching to the Convertible Note at the conversion price of HK$0.12 per share, resulting in the issue of 275,000,000 new shares by the Company to L & L Holdings Limited.

Upon such conversion, L & L Holdings Limited currently interests in 56.88% of the existing issue share capital of 483,500,000 shares of the Company. The Whitewash Waiver, which waives the obligation of L & L Holdings Limited and its shareholder and parties acting in concert with any one of them to extend a general offer to acquire the issued share (excluding the issued shares which are owned by the subscriber and its shareholder and parties acting in concert with any one of them) under Rule 26 of the Takeovers Code arising from the exercise of the conversion rights attached to the Convertible Note, has been granted by the Executive.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months period ended 30 June 2005, the Group's turnover and net loss were approximately HK$16.48 million (2004: HK$6.87 million) and HK$13.18 million (2004: HK$2.4 million). The turnover of the Group was substantially increased by approximately 139.88% as compared to the corresponding period of last year and this increase was mainly due to the economic recovery and the contribution of takeover 51% of International Carpet Company Limited. However, the Group still recorded a significant decrease in profits margin due to the kin market competition and the continuously increase of oil price.

Nevertheless, the Group continued to focus on the existing core business CARPET MANUFACTURING AND DISTRIBUTION and is undergoing restructuring to position itself for future growth and profitability, the Group will continuously take productive approach to review and strengthen its business as well as exploring more investment opportunities that offer sustainable growth advantages.

Liquidity and financial resources

Based on the unaudited management account for the six months ended 30 June 2005, the Group's total current assets were HK$61.42 millions and its total current liabilities were HK$48.83 millions. For the six months to 30 June 2005, the Group had been paying down its bank borrowings, consequently total bank borrowings were reduced from HK$10.05 millions in 31 December 2004 to HK$3.28 millions as at 30 June 2005.

As at 30 June 2005, the Group cash and bank balances were amounted to HK$4.94 millions (31 December 2004: HK$ 1.34 millions). On 15 April 2005, the Company entered into a conditional Subscription Agreement with the L & L Holdings Limited (the "Subscriber"), an independent third party to issue a Convertible Note in an aggregate principal amount of HK$33,000,000 to the Subscriber. This conditional Subscription Agreement was completed on 6 June 2005 and the Convertible Note in the aggregate principal amount of HK$33,000,000 was issued to the Subscriber on 6 June 2005. The Subscriber have the right to convert the whole integral multiple of HK$1,000,000 of the principal amount of the Convertible Note into shares at any time before the maturity date of the Convertible Note falling on the second anniversary of the date of issue of the Convertible Note at the initial conversion price of HK$0.12 per share (subject to adjustment).

The Convertible Note was converted on 10 August 2005 (refer to note 13 of Notes to Condensed Financial Statements).

Segment information

During the period, the Group recorded a substantial increase in sales and profit margin both in the manufacturing arm based at PRC and trading arm in Hong Kong as a result of the global economic recovery in which increases the demand of the carpet products. However, due to the kin competition of the carpet industry, the Group still recorded a net loss of its business. The principal market of the Group was changed to Hong Kong and overseas, which accounted for approximately 83% (2004: 27%) of the Group turnover. Sales to Hong Kong and overseas amounted to approximately HK$13.7 millions, representing an increase approximately 7.4 times compared to the corresponding period of last year. Sales to the PRC amounted to approximately HK$2.8 millions, representing a decrease of approximately 44% compared to the corresponding period of last year.

Number and remuneration of employees

The Group total number of employees was approximately 140 employees (2004: 136) in Hong Kong and PRC for the period ended 30 June 2005. The Group recognized the importance of maintaining good working relationships with its employees and accordingly, strives to maintain remunerations at competitive levels and in line with industry practice. In addition, the Group has adopted a share option scheme of which the Board may, at its discretion, grant options to employees of the Group. The Company has granted no share options during the period under review.

Current and gearing ratio

As at 30 June 2005, the Group had total assets of HK$177 millions (31 December 2004: HK$175 millions), total liabilities of HK$82 millions (31 December 2004: HK$95 millions), indicating a gearing ratio 0.46 (31 December 2004: 0.54) on the basis of total liabilities over total assets. The current ratio of the Group for the Period was 1.26 (31 December 2004: 0.74).

Foreign currency exposure

The Group did not have any significant exposure to and did not hedge against risks associated with foreign currency fluctuation.

Contingent liabilities

The Group did not have any significant contingent liabilities at the balance sheet date.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2005. The Audit Committee comprises the three independent non-executive Directors of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Throughout the six months ended 30 June 2005, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the deviations in respect of the service term and rotation of Directors under code provisions A.4.1 and A.4.2 of the Listing Rules.

Under code provisions A.4.1 and A.4.2 of the Listing Rules, (a) non-executive Directors should be appointed for specific terms and subject to re-election, and (b) all Directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. As there are nine directors, and one-third of them shall retire subject to rotation, and barring unforeseen resignation/retirement during a year, each Director is effectively appointed under an average term of 3 years. Any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2005.

PUBLICATION OF DETAILED RESULTS ON THE EXCHANGE'S WEBSITE

Detailed results containing all the information required by Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Exchange's website in due course.

By Order of the Board
Lam Shu Chung
Chairman

Hong Kong, 26 September 2005

As at the date of this announcement, the executive directors are Mr. Lam Shu Chung, Mr. Law Fei Shing, Mr. So Chi Keung, Mr. Tsao Ke Wen Calvin and Mr. Pang Man Kin Nixon; the non-executive director is Dr. Ma Chung Wo, Cameron and the independent non-executive directors are Mr. Poon Chiu, Mr. Lum Pak Sum and Mr. Li Chak Hung.