

# ORIENT RESOURCES GROUP COMPANY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**INTERIM REPORT 2001/2002**

## INTERIM RESULTS

The Board of Directors of Orient Resources Group Company Limited (the “Company”) announce the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2001 as follows:—

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the six months ended 30th September 2001*

		Six months ended 30th September	
		2001	2000
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	2	69,537	88,305
Cost of goods sold		(70,943)	(67,723)
Direct costs on property rentals		(1,033)	(953)
Gross (loss)/profit		(2,439)	19,629
Other revenue		3,167	2,882
Distribution costs		(7,594)	(7,243)
Administrative expenses		(16,858)	(14,380)
(Loss)/profit from operations	3	(23,724)	888
Finance costs	4	(1,865)	(2,830)
Share of profit/(loss) of associates		31	(13)
Loss before taxation		(25,558)	(1,955)
Taxation		—	—
Net loss for the period		<u>(25,558)</u>	<u>(1,955)</u>
Loss per share — Basic	5	<u>(2.98) cents</u>	<u>(0.25) cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September 2001

	Notes	As at 30th September, 2001 (unaudited) HK\$'000	As at 31st March, 2001 (audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		39,252	39,252
Property, plant and equipment		18,262	18,140
Interests in associated companies		18,970	9
Deposit made on acquisition of an investment		—	18,930
		<b>76,484</b>	<b>76,331</b>
<b>Current assets</b>			
Inventories		20,088	16,312
Trade and other receivables	6	34,436	10,736
Amount due from a factor company		10,911	18,933
Bills receivables		—	3,271
Amount due from associates		3,020	344
Taxation recoverable		1,375	1,365
Deferred tax assets		615	—
Pledged bank deposits		13,216	13,066
Deposit with a financial institution		18,748	18,563
Bank balances, deposits and cash		8,257	19,425
		<b>110,666</b>	<b>102,015</b>
<b>Current liabilities</b>			
Balance of consideration payable on acquisition of a subsidiary due within one year		856	880
Trade and other payables	7	51,203	20,077
Bills payable		—	1,775
Secured bank loans due within one year		3,358	3,098
Trust receipt and import loans — secured		9,669	23,887
		<b>65,086</b>	<b>49,717</b>
Net current assets		<b>45,580</b>	<b>52,298</b>
Total assets less current liabilities		<b>122,064</b>	<b>128,629</b>
Minority interests		<b>1,402</b>	<b>1,402</b>
<b>Non-current liabilities</b>			
Balance of consideration payable on acquisition of a subsidiary due after one year		555	1,015
Secured bank loans due after one year		10,839	12,646
		<b>11,394</b>	<b>13,661</b>
Net assets		<b>109,268</b>	<b>113,566</b>
<b>Capital and reserves</b>			
Share capital	8	95,985	76,788
Reserves		13,283	36,778
Shareholders' funds		<b>109,268</b>	<b>113,566</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2001

Six months ended  
30th September 2001  
HK\$'000

Net cash outflow from operating activities	(14,034)
Net cash outflow from returns on investments and servicing of finance	(1,865)
Net cash outflow from investing activities	<u>(763)</u>
Net cash outflow before financing	(16,662)
Net cash inflow from financing	<u>19,915</u>
Increase in cash and cash equivalents	3,253
Cash and cash equivalents at the beginning of the year	<u>14,101</u>
Cash and cash equivalents at the end of the year	<u><u>17,354</u></u>
Analysis of balance of cash and cash equivalents:	
Bank balance and cash	8,275
Deposit with a financial institution	18,748
Short-term bank borrowings with less than three months to maturity when raised	<u>(9,669)</u>
	<u><u>17,354</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF  
RECOGNISED GAINS AND LOSSES**

*For the six months ended 30th September, 2001*

	<b>September 2001 HK\$'000</b>	September 2000 HK\$'000
Exchange difference arising on translation of financial statements of overseas operation	<u>225</u>	<u>(34)</u>
(Loss)/gain not recognised in the consolidated income statement	<b>225</b>	(34)
Net (loss) profit for the year	<u><b>(25,588)</b></u>	<u>(1,955)</u>
Total recognised (losses) gains	<u><b>(25,813)</b></u>	<u>(1,921)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

*For the six months ended 30th September, 2001*

**1. Basis of preparation**

These unaudited interim consolidated accounts have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of the Stock Exchange of Hong Kong Limited. The accounting policies used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2001.

**SSAP 26 “Segment reporting”**

In Note 3 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group’s internal financial reporting the Group has determined that business segments be presented as the primary reporting format geographical as the secondary reporting format. Comparative information has been given.

2. **Turnover**

	<b>September 2001 HK\$'000</b>	September 2000 HK\$'000
Sales of goods	67,478	86,328
Rental Income	<u>2,059</u>	<u>1,977</u>
	<b><u>69,537</u></b>	<b><u>88,305</u></b>

Turnover represents the amounts received and receivable for goods to outside customers, less returns and allowances, and rental income during the period.

3. **(Loss)/profit from operation**

**Business Segments Results**

	<b>September 2001 HK\$'000</b>	September 2000 HK\$'000
Sales of goods	(23,642)	(225)
Rental Income	<u>368</u>	<u>1,113</u>
(Loss)/profit from operation	<b><u>(23,274)</u></b>	<b><u>888</u></b>

**Geographical region**

	<b>September 2001 HK\$'000</b>	September 2000 HK\$'000
United States of America	66,881	73,359
Hong Kong	2,067	6,803
Other European markets	442	2,056
Mainland China	147	127
United Kingdom	<u>—</u>	<u>5,960</u>
	<b><u>69,537</u></b>	<b><u>82,345</u></b>

#### 4. Finance Costs

	<b>September 2001 HK\$'000</b>	September 2000 HK\$'000
Factoring charges	211	214
Interest on		
— bank borrowings wholly repayable within five years	1,188	1,527
— bank borrowings not wholly repayable within five years	466	955
— loan from a former director	—	134
	<u>1,865</u>	<u>2,830</u>

#### 5. Loss per share — Basic

The calculation of loss per share is based on the loss attributable to shareholders of approximately HK\$25,558,000 (2000: loss of approximately HK\$1,955,000) and on the weighted average of 859,049,000 shares (2000: weighted average 767,883,000 shares) in issue during the period after adjusting the number of shares in issue prior to the issue on 19th July, 2001. The loss per share for 2000 has been adjusted accordingly.

#### 6. Trade and other receivables

The trade and other receivables included trade receivable of approximately HK\$6,672,000 (31st March, 2001: HK\$5,099,000). An aged analysis of trade receivables prepared on the basis of sales invoice date is as follows:

	<b>September 2001 HK\$'000</b>	March 2001 HK\$'000
0-1 month	4,155	4,151
1-2 months	2,461	549
2-3 months	—	170
over 3 months	56	229
	<u>6,672</u>	<u>5,099</u>

The Group allows an average credit period of 30 days (2000: 30 days) to its trade customers.

## 7. Trade and other payables

The trade and other payables included trade payables of approximately HK\$14,505,000 (31st March, 2001: HK\$11,086,000). An aged analysis of trade payables prepared on the basis of supplier invoice date is as follows:

	<b>September 2001 HK\$'000</b>	March 2001 HK\$'000
0-1 month	<b>12,583</b>	4,315
1-2 months	<b>688</b>	2,025
2-3 months	<b>105</b>	1,917
over 3 months	<b>1,129</b>	2,829
	<u><b>14,505</b></u>	<u>11,086</u>

## 8. Share capital

	<b>Number of shares</b>	<b>Share Capital HK\$'000</b>
Ordinary shares of HK\$ 0.10 each:		
Issued and fully paid:		
As at 1st April, 2001	767,883,000	76,788
Share issued during the period	<u>191,970,000</u>	<u>19,197</u>
As at 30th September, 2001	<u><b>959,853,000</b></u>	<u><b>95,985</b></u>

## INTERIM DIVIDEND

The Directors do not recommend any interim dividend.

## FINANCIAL REVIEW

As at 30th September 2001, the Group had total assets of HK\$187,150, which were financed by current liabilities, non-current liabilities and shareholders' equity of HK\$65,086, HK\$11,394 and HK\$109,268, respectively. The Group maintained stable working capital as at 30th September 2001.



## **BUSINESS REVIEW AND PROSPECTS**

The Group was principally engaged in the manufacture and sale of garments and property rental. During the period, the performance of the Group has been severely affected as the consumer confidence in the US plunged to its lowest point since early 1996. And the September 11 terrorist attack also added to US concerns about the already frail economy. Under the circumstances, US buyers clearly indicate that the order in the future will be subject to high degree of uncertainty.

In addition, to reduce heavy reliance upon a few customers, the Group continued to explore new customers in other market and as a result, this also bring certain unexpected marketing costs to the Group. Overall speaking, the Group incurred a significant loss during this interim period and the directors have taken a cautious approach in reviewing the possible or potential loss to the Group and thereafter, material provision has been made to the accounts to meet these losses.

The directors considered that the performance of the Group will continue to be battered by the US consumer confidence that has pushed the US into a recession for the third and fourth quarters of 2001, with the global economy at near zero growth.

The directors also take the view that the weak global demand will continue to take the toll on the Group's performance. Although the Group stayed firmly in the doldrums this period, the operation of the Group will still be closely monitored to face the weak global economy that has ever been seen in past years.

Due to certain local legal issues, the operation in Cambodia is still not in full operation and the directors believe such legal issues will be sorted out soon.

The directors will consider to diversify into some traditional industry which will provide stable income to the Group.

## DIRECTORS INTEREST IN SHARES

At 30th September, 2001, the interest of a director and his associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) of the Company was as follows:—

Name of director	Personal	Number of shares held		Others
		Family	Corporate	
Zhang Hongwei	—	—	481,691,250 (Note)	—

*Note:* The shares were beneficially owned by He Fu International Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Zhang Hongwei.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by an employee, none of the directors, the chief executives or their associates had any personal interest, family interests, corporate interests or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30th September, 2001.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders of the Company had an interest of 10 per cent or more of the issued share capital of the Company:

	Number of shares	
He Fu International Limited	481,691,250*	50.18%

\* *These shares are held by He Fu International Limited, and have been disclosed as the corporate interests of Mr. Zhang Hongwei in the section headed “DIRECTORS INTEREST IN SHARES”.*

Save as disclosed above, the Company has not been notified of any other interests representing 10 per cent or more of the Company’s issued share capital as at 30th September, 2001.

## PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the six months ended 30th September, 2001 the Company and its subsidiaries have not purchased, sold or redeemed any listed securities of the Company.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim accounts for the six months ended 30th September, 2001.

## **CODE OF BEST PRACTICE**

None of the directors is aware of any information that would reasonably indicate the Company is not, or was not for any part of the six months ended 30th September, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

By order of the Board

**Zhang Hongwei**

*Chairman and Managing Director*

Hong Kong, 18th December, 2001