CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of Orient Resources Group Company Limited (the "Company") and its subsidiaries (together called the "Group") for the fiscal year ended 31st March, 2001.

FINANCIAL HIGHLIGHTS

The Group's audited net loss for the year was approximately HK$15 million. Turnover and loss per share for the year amounted to approximately HK$191 million and HK1.91 cents, respectively. Like many enterprises which are principally engaged in the manufacture and sale of garments products, the Group has been inevitably affected by the persistent increase in garment export quota costs and economic downturn in the United States and European market. In addition, the Group's overall results has been further adversely affected by the diminution in value of the Group's investment properties which shows no sign of recovery since the Asian financial crisis.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2001.

CLOSURE OF REGISTER

The register of members will be closed from Wednesday, 22nd August, 2001 to, Tuesday, 28th August, 2001 (both days inclusive) during which period no transfer of share will be registered. In order to qualify for the transfer, all relevant share certificates must be lodged with the Company's Branch Share Registers, Secretaries Limited at 5th Floor, Wing On Centre, No.111 Connaught Road Central, Hong Kong, for registration, not later than 4:00 p.m. on Tuesday, 21st August, 2001.

OPERATIONAL REVIEW

Despite the continuous effort of the management and staff, the merchandising activities of the Group has recorded a net loss of approximately HK$15 million. The Group's operating loss was mainly due to the bleak global consumption market, in particular the United States and European market.

During the year, the contribution from sales to the United States turned to a loss of approximately HK$10 million as compared to a profit of HK$10 million last year. It was because our customers in the United States faced potential recession and unfavourable consumption climate, we were therefore inevitably affected by their problems and hence faced a great pressure on our product pricing. In addition, some of the Group's major customers have been significantly hit by the unexpected economic downturn. Apart from that, the continued sluggish property market posed pressure on the Group's investment property. During the year, the Group recorded a deficit arising from the revaluation of investment properties of approximately HK$3.8 million (2000: HK$0.8 million).

OPERATIONAL REVIEW *(Continued)*

To cope with the difficulties, we implemented a series of tight cost control on factory production costs and administrative costs.

The Group has been considering its presence in e-commerce by exploring opportunities to invest in e-commerce networks. Extensive feasibility studies have been done and prolonged negotiations have been carried out with several interested parties, among them including some local and overseas listed companies. However, the Directors withdrew the investment decision after taking into the account of the sudden changes in the global market sentiment.

PROSPECTS

The Directors of the Company are of the view that the garment merchandising division of the Group will continue to be affected by the recent soaring quota costs and continued economic setback in the United States. Despite the U.S. six consecutive interest rate reduction, there is no imminent sign of economic recovery. In fact, the economic environments of most of the Asian countries have continued to deteriorate in recent months. All these are inevitably exerting pressure on all OEM manufacturers in the region. Therefore, the Directors determine to relocate part of the Group's garment manufacturing facilities and processes to Cambodia from the Group's PRC factory to take advantages of local low labour costs and nil quota costs imposed by the United States. Accordingly, the Directors believe that once such production re-engineering completed, the Group will be well positioned and less vulnerable to the fluctuations in the soaring production costs in the PRC and export quota costs imposed by the United States to the PRC.

The Directors also consider to explore other investment opportunities to bring long term and stable return to the Group.

FINANCIAL REVIEW

Debtor Aging Analysis

80% of the Group's trade receivable were settled through L/C and the remaining 20% were given an average credit period of 30 days. This collection procedure ensures sufficient cash inflow to meet the needs of daily operations.

Liquidity and Capital Structure

During the year, the Group recorded no movement on share capital. The Group financed its operations mainly with internal resources and general banking facilities.

As at 31st March, 2001, the Group's consolidated borrowings amounted to approximately HK$41.5 million, mainly in Hong Kong dollars and US dollars and two-third of which was short-term in nature. Those borrowings were structured mainly for funding the Group's day-to-day operation. The Group's total borrowings were reduced by 5% as compared to the last year end of approximately HK$43.8 million and the Group's bank balances, deposits and cash (including pledged bank deposits) as at 31st March, 2001 amounted to approximately HK$51.0 million (2000: HK$45.4 million) which were able to cover these borrowings with a surplus of HK$9.5 million. Most of the bank borrowings were structured at a fixed rates basis.

FINANCIAL REVIEW *(Continued)*

Charge on Group Assets

At 31st March, 2001, investment and leasehold properties of the Group with carrying value of approximately HK$35.9 million and HK$5.0 million, respectively, together with bank deposits and other assets of the Group amounting to approximately HK$32.0 million, were pledged to financial institutions to secure credit facilities granted to the Group.

Gearing Ratio

Though the gearing ratio increased from 33% to 37%. It was considered satisfactory in view of the prevailing industry standards. Moreover, the debts were completely covered by the bank balances, deposits and cash balance with surplus at the year end. Computation was based on the total borrowings divided by shareholders' funds as at 31st March, 2001.

Significant Investments

During the year ended 31st March 2001, the Group paid deposit of approximately HK$18.9 million to acquire a 34.5% interest in Beijing Wadakan Food Company Limited ("Beijing Wadakan"). Beijing Wadakan is established in Beijing, the capital of the PRC and engaged in the manufacture and sale of soya bean sauce. Beijing Wadakan is one of the famous brand name in Beijing and manufactures high end soya been sauce products. This acquisition was completed in April 2001 and the Directors believe that this investment will bring a long term and stable revenue and return to the Group.

Material Acquisitions and Disposals

There were no material acquisitions and disposals of subsidiaries and associated companies in the course of the year 2001.

Contingent Liabilities

As at 31st March, 2001 the Group did not have any significant contingent liabilities.

Exchange Rate Exposure

While the sales of the Group is mainly denominated in US dollars, the purchases of raw materials are mainly in US dollars, Hong Kong dollars and Renminbi. Bank borrowings are also denominated in Hong Kong dollars and US dollars with interests being charged on a fixed rate basis. As the exchange rates of US dollars against Hong Kong dollars and Renminbi were relatively stable during the year, the Group's exposure to fluctuations in exchange rates is minimal.

Major Customers and Suppliers

For the year ended 31st March, 2001 the percentages of the Group's sales and purchases attributable to major customers and suppliers were as follows:—

	2001	2000
Sales attributable to:		
Largest customer	**20%**	67%
Five largest customers	**43%**	86%
Purchases attributable to:		
Largest supplier	**19%**	18%
Five largest suppliers	**59%**	49%

FINANCIAL REVIEW *(Continued)*

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has an interest in any of the Group's five largest customers or suppliers.

Employees

The Group has consolidated the garment business into a Hong Kong office, a garment factory in China and a US subsidary. The number of staff located in the areas are :

Region	**2001** **No. of staff**	2000 No. of staff
Hong Kong	**21**	45
The People's Republic of China	**960**	800
United States of America	**25**	26
	1,006	871

In addition to basic salaries, employees are rewarded with performance-related bonuses while share options are also made available to certain staff within the Group. All staff in the PRC are provided with free meals and lodgings.

AUDIT COMMITTEE

The Group has an audit committee comprising two independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group.

APPRECIATION

On behalf of the Board of Directors, I would like to express our sincere appreciation to all shareholders, business partners as well as the Group's workforce for their continuous support. I also wish to express our determination to make every endeavour to return to profitability and achieve aspiring results.

Zhang Hongwei
Chairman and Managing Director

26th July, 2001