

To Shareholders of the Company:

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, 2002.

#### FINANCIAL HIGHLIGHTS

For the year ended 31st March, 2002, the Group recorded a loss of approximately HK\$26 million which is mainly attributed to the significant increase in administrative expenses of approximately HK\$11 million incurred in connection with the Group's diversification process.

Turnover and basic loss per share amounted to approximately HK\$152 million and HK2.81 cents respectively.

#### DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2002.

#### CLOSURE OF REGISTER

The register of members will be closed from Saturday, 17th August, 2002 to, Friday, 23rd August, 2002 (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 Friday, 16th August, 2002.

#### OPERATIONAL REVIEW

During the year ended 31st March, 2002, the performance of the Group has been adversely affected by the global economic downturn. Hong Kong still suffered from the trough of the economic cycle and the unemployment rate recorded a historic high in recent decades of 7.8%. Therefore, management of the Company take a pessimistic view on the future outlook for the garment manufacture and sale business.

Under the circumstances, on 19th March, 2002, the Company determined to sell off the garment operation and retained the business of property holding and investment in health food manufacture and sale. The sale of the Group's garment operation was completed on 28th March, 2002.

The Group's performance was also affected by the increase in administrative expenses of approximately HK\$11 million to HK\$45 million. The increase was due to the business exploring expenditures incurred as a result of the Group's diversification processes.

## CHAIRMAN'S STATEMENT

Apart from that, the sluggish property market continued to take the toll on the Group's investment properties. During the year, the Group recorded a deficit arising from revaluation of investment properties of approximately HK\$4 million (2001: HK\$3.8 million). However, the management has exerted great effort to maintain a high occupancy ratio of the Group's rental properties. In fact, the Group recorded a high occupancy ratio of approximately 89% during the year (2001: 85%).

### PROSPECTS

In view of the global economic downturn that continued affecting Hong Kong, the Directors of the Company take the view that Hong Kong will lag behind other nearby countries as Hong Kong has been recently ranked the most expensive country in the world. Under the circumstances, the Directors will focus on business opportunities in the PRC which offer investment opportunities in different aspects.

Health food manufacture and sale will become one of the pillar business of the Group and the Directors will continue to explore other complementary business in this area. The Directors have also been exploring new business opportunities through different channels and contacts in the PRC that will provide a stable growth in revenue and profit to the Group.

As the globe is facing an economic downturn that may not have been experienced in the past decades, it is rather difficult to foresee the domain of the economic effect. In particular, the recent slump in the US stock market and the grim corporate news from the US cast doubt on the quick revival of the global economy. As the Hong Kong economy is at the mercy of the overseas market, the Directors take a very cautious approach in the outlook of the Group's overall performance.

However, the directors believe that the Group will recover soon from the short pain of business restructure and will endeavour to bring long term benefit to the shareholders.

### FINANCIAL REVIEW

#### **Liquidity and capital structure**

During the year, the Company issued 191,970,750 shares of HK\$0.10 each in the Company at a price of HK\$0.12 per share by way of rights issue. The net proceeds from the rights issue of HK\$21 million were used for investing in new garment manufacturing facilities in Cambodia which was disposed of during the year and as general working capital of the Group. Generally, the Group financed its operations mainly with internal resources and general banking facilities.

As at 31st March, 2002, the Group's bank balances, deposits and cash amounted to approximately HK\$29 million while bank loans amounted to approximately HK\$14 million of which approximately HK\$5 million are due within one year. Interest on bank loans is charged at variable commercial rates prevailing in Hong Kong and the loans are denominated in Hong Kong dollars and accordingly, changes in foreign exchange rate would not affect the Group's capital and liquidity structure.

**Gearing Ratio**

The gearing ratio improved from 37% to 18%. In fact, the debts were completely covered by the bank balances and deposits. Computation was based on total borrowings divided by shareholders' funds as at 31st March, 2002.

**Charge on Group Assets**

At 31st March, 2002, investment and leasehold properties of the Group with carrying value of approximately HK\$36 million and HK\$1 million, respectively, together with bank deposits and other assets of the Group amounting to approximately HK\$11 million, were pledged to banks to secure credit facilities granted to the Group and certain former subsidiaries of the Group.

**Debtors Aging Analysis**

Over 90% of the Group's trade receivables at 31st March, 2002 was aged within 60 days. The collection procedures imposed by the Group ensure sufficient cash inflow to meet the needs of daily operations.

**Significant Investments**

During the year ended 31st March, 2002, the Group paid full consideration of HK\$17 million to acquire a 55% interest in Beijing Huwang Food Company Limited which is established in the PRC and is engaged in the manufacture and sale of soya bean sauce. The acquisition was completed in April 2002.

**Material Acquisitions and Disposals**

Save for the disposal of the Garment business, the Group had completed acquisition of a 34.5% interest in Beijing Wadakan Food Company Limited which is engaged in the manufacture and sale of soya bean sauce in April 2001.

**Contingent Liabilities**

As at 31st March, 2002, the Group had given to banks and other financial institutions corporate guarantees amounting to approximately HK\$64 million in respect of credit facilities extended to certain former subsidiaries.

**Exchange Rate Exposure**

With the disposal of the Group's Garment business, the remaining assets, liabilities and transactions of the Group are denominated mainly in Hong Kong dollars and Renminbi, risk in exchange rate fluctuation would not expect to be material.

## CHAIRMAN'S STATEMENT

### Major Customers and Suppliers

For the year ended 31st March, 2002 the percentages of the Group's sales and purchases attributable to major customers and suppliers were as follows:

	2002	2001
Sales attributable to:		
Largest customer	18%	20%
Five largest customers	58%	43%
Purchase attributable to:		
Largest supplier	17%	19%
Five largest suppliers	52%	59%

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

As at 31st March, 2002, the Group employed 6 staff with their remuneration normally reviewed annually. The Group also provides its staff with other benefits including year-end double pay, discretionary bonus and contributory provident fund. Staff training is also provided and when required.

### 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*

23rd July, 2002