

# Chairman's Statement

ORIENT RESOURCES GROUP COMPANY LIMITED

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, 2003.

## PROSPECTS

Health food manufacture and sale is the main business of the Group. However, the Group is suffering from the fierce competition at the China market following the entry of China to World Trade Organisation. The performance of the operating result of health food division is not satisfactory as expected.

In addition, the PRC market is also suffering from SARS outbreak, in particular at Beijing city, which is one of the major targeted city of the Company's health food division.

However the management has exercised tight cost control in order to reduce the financial impact to the Group.

Apart from that, the Group devoted large resources to explore other business opportunities in the PRC. However, due to the SARS outbreak and the recovery of global economic is still far from reach, the board is determined to slow down the investment in this aspect.

In view of the continued economics downturn and the slow economic recovery in Hong Kong, the directors are of the opinion that it is to the benefits to the Company if we adopt a conservative and cautious approach to explore new sources of business and revenue.

The Company will focus on cost-cutting and business restructuring so that the Group will not be affected by any adverse financial impact as a result of current economic climate.

This is the time we all have to be patient and the Company believe that the Company will bring benefits to the shareholders in the future.

## **FINANCIAL REVIEW**

### **Liquidity and capital structure**

As at 31st March, 2003, the Group's bank balances, deposits and cash amounted to approximately HK\$3.7 million while bank loans amounted to approximately HK\$11.4 million of which approximately HK\$1.1 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 increase from 18% to 28%. Computation was based on total borrowings divided by shareholders' funds as at 31st March 2003.

### **Charge on Group Assets**

At 31st March 2003, investment properties of the Group with carrying value of approximately HK\$36.6 million, together with other assets of the Group amounting to approximately HK\$0.1 million, were pledged to banks to secure credit facilities granted to the Group and certain former subsidiaries of the Group. The Group have also executed a deed of assignment over the rental proceeds, deposits and license fees from tenants arising from the lease of investment properties held by the Group to secure credit facilities granted to the Group.

### **Debtor Aging Analysis**

Over 60% of the Group's trade receivables at 31st March, 2003 was aged within 60 days, The collection procedures imposed by the Group ensure sufficient cash inflow to meet the needs of days operations.

### **Material Acquisitions and Disposals**

Save for the disposal of the discontinued printing and dyeing operations, the Group had completed acquisition of a 55% interest in Beijing Huwang Wadakan Food Company Limited which is engaged in the manufacture and sale of soya bean sauce in April 2002.

### **Exchange Rate Exposure**

The 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.

### **Contingent Liabilities**

As at 31st March, 2003 the Group had given to banks and other financial institutions corporate guarantees amounting to approximately HK\$31.2 million in respect of credit facilities extended to certain former subsidiaries.

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## Major Customers and Suppliers

For the year ended 31st March, 2003 the percentages of the Group's sales and purchases attributable to major customers and suppliers were as follows:

	2003	2002
Sales attributable to:		
Largest customer	11%	18%
Five largest customers	37%	58%
Purchase attributable to:		
Largest customer	23%	17%
Five largest suppliers	47%	52%

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

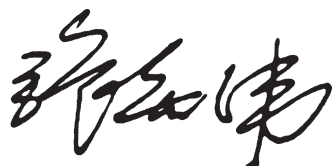
As at 31st March, 2003, the Group employed 7 staff in Hong Kong and employed 200 staff in China with their remuneration normally reviewed annually. The Group also provides its staff with other benefits including year-end double pay, discretionary bonus and contributory provident fund. Staff training 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

23rd July, 2003