

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is He Fu International Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding and property investment company. The principal activities of its subsidiary and associate are set out in notes 15 and 16, respectively.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and an inclusion of a statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign currency transaction" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

Under SSAP 15 (Revised) "Cash flow statement", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received or paid, which were previously presented under a separate heading, are classified as operating or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The redefinition of cash and cash equivalents has resulted in a restatement for the comparative amounts shown in the cash flow statement.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Discontinuing operations

SSAP 33 "Discontinuing operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Under SSAP 33, financial statements amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. Because the businesses disposed of by the Group were completed in the same financial year as the sale and purchase agreement entered into, the adoption of SSAP 33 has not had any material impact on the financial statements.

Employee benefits

SSAP 34 "Employee benefits" introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit scheme, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been written off/amortised, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Other investments, including marketable securities, are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the respective leases terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Sale of investments is recognised when the title to the investment is transferred and the buyer takes legal possession of the investment.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation deficit, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

The cost of leasehold land is amortised over the period of the lease, using the straight-line method.

The cost of buildings is depreciated over 50 years, using the straight-line method or, if the remaining period of the lease where the building situates is shorter than 50 years, on a straight-line basis over the remaining period of the lease.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost of other property, plant and equipment, over their estimated useful lives, using the following bases:

| | |
|--|--|
| Leasehold improvements | Over the shorter of the term of the lease, or 25%, on reducing balance method |
| Furniture, fixtures and office equipment | 25%, on reducing balance method |
| Motor vehicles | 12.5%, on straight-line method |
| Plant and machinery | 10%, on straight-line method |

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the year.

In preparing consolidated financial statements, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Leases of assets in respect of which substantially all the rewards and risks of ownership remain with the lessors are accounted for as operating leases. Rentals paid and payable under operating leases are charged to the income statement on a straight-line basis over such term of the relevant lease.

Retirement benefit schemes

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense as they fall due.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments:

Before the discontinuance of the manufacturing and trading of garments ("Garment") business during the year ended 31st March, 2002 (note 7), the Group was organised into Garment, and property rental divisions for management purposes. Upon the acquisition of the manufacturing and sale of soya bean sauce ("Food") business during the year, the Group is currently organised into two operating divisions – Food and property rental. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31st March, 2003

| | Food | Property | Consolidated |
|---|-----------------|-----------------|---------------------|
| | HK\$'000 | rental | HK\$'000 |
| | | HK\$'000 | HK\$'000 |
| Turnover | 23,737 | 3,687 | 27,424 |
| Segment result | (3,180) | (2,559) | (5,739) |
| Interest income | | | 357 |
| Loss on disposal of marketable securities | | | (539) |
| Unallocated corporate expenses | | | (19,959) |
| Loss from operations | | | (25,880) |
| Finance costs | | | (649) |
| Share of result of an associate | (10,527) | - | (10,527) |
| Gain on disposal of discontinued operations | | | 501 |
| Loss before taxation | | | (36,555) |
| Taxation | | | (304) |
| Loss before minority interest | | | (36,859) |
| Minority interest | | | 1,421 |
| Net loss for the year | | | (35,438) |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments: (Continued)

At 31st March, 2003

| | Food HK\$'000 | Property rental HK\$'000 | Consolidated HK\$'000 |
|---|------------------|--------------------------------|--------------------------|
| ASSETS | | | |
| Segment assets | 23,714 | 36,699 | 60,413 |
| Interests in associates | 2,753 | - | 2,753 |
| | <u>26,467</u> | <u>36,699</u> | <u>63,166</u> |
| Unallocated corporate assets | | | <u>3,673</u> |
| Consolidated total assets | | | <u>66,839</u> |
| LIABILITIES | | | |
| Segment liabilities | <u>2,055</u> | <u>1,090</u> | 3,145 |
| Unallocated corporate liabilities | | | <u>13,512</u> |
| Consolidated total liabilities | | | <u>16,657</u> |
| OTHER INFORMATION | | | |
| Capital additions | 1,177 | - | 1,177 |
| Depreciation and amortisation | 1,824 | - | 1,978 |
| Amortisation of goodwill | 216 | - | 216 |
| Impairment loss on property, plant and equipment | 2,876 | - | 2,876 |
| Other non-cash expenses | 2,776 | 118 | <u>4,694</u> |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments: (Continued)

For the year ended 31st March, 2002

| | (Discontinued) Garment HK\$'000 | Property rental HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|---|---------------------------------------|--------------------------------|--------------------------|--------------------------|
| TURNOVER | | | | |
| External sales | 147,564 | 3,973 | - | 151,537 |
| Inter-segment sales | - | 240 | (240) | - |
| Total turnover | <u>147,564</u> | <u>4,213</u> | <u>(240)</u> | <u>151,537</u> |
| RESULT | | | | |
| Segment result | <u>(3,996)</u> | <u>(4,229)</u> | <u>216</u> | (8,009) |
| Interest income | | | | 1,492 |
| Amortisation of goodwill arising on acquisition of an associate | | | | (419) |
| Impairment loss recognised on goodwill on acquisition of an associate | | | | (6,532) |
| Unallocated corporate expenses | | | | <u>(24,477)</u> |
| Loss from operations | | | | (37,945) |
| Finance costs | | | | (2,762) |
| Share of result of an associate | | | | (1,252) |
| Gain on disposal of discontinued operations | 16,513 | - | - | <u>16,513</u> |
| Loss before taxation | | | | (25,446) |
| Taxation | | | | <u>(248)</u> |
| Net loss for the year | | | | <u>(25,694)</u> |
| OTHER INFORMATION | | | | |
| Capital additions | 1,127 | 221 | - | 1,348 |
| Depreciation and amortisation | 1,369 | 430 | - | 1,799 |
| Amortisation of goodwill | | | | 419 |
| Other non-cash expenses | | | | <u>6,532</u> |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments: (Continued)

Inter-segment sales are charged at terms agreed between the relevant parties.

At 31st March, 2002, the Group was solely engaged in properties letting business and accordingly, no analysis of the Group's assets and liabilities by business segments had been presented.

Geographical segments:

The Group's operations are currently located in Hong Kong and the PRC. The Group's Food division is located in the PRC and the property rental division is located in Hong Kong. Before the discontinuance of Garment business, the Group's operations were located in Hong Kong, the PRC and the United States of America ("USA"). The Group's Garment division was carried out in all of the above regions and property rental division was located in both Hong Kong and the PRC.

The following provides an analysis of the Group's sales by geographical market based on geographical location of its customers.

| | Turnover | | Contribution to loss from operations | |
|--|------------------|------------------|---|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| The PRC | 23,737 | 459 | (3,180) | - |
| Hong Kong | 3,687 | 3,514 | (2,559) | (4,149) |
| USA | - | 147,129 | - | (3,877) |
| Other European markets | - | 435 | - | 17 |
| | <u>27,424</u> | <u>151,537</u> | <u>(5,739)</u> | <u>(8,009)</u> |
| Interest income | | | 357 | 1,492 |
| Amortisation of goodwill arising on acquisition of an associate | | | - | (419) |
| Loss on disposal of marketable securities | | | (539) | - |
| Unallocated corporate expenses | | | (19,959) | (24,477) |
| Impairment loss recognised on goodwill | | | - | (6,532) |
| Loss from operations | | | <u>(25,880)</u> | <u>(37,945)</u> |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments: (Continued)

Revenue from the Group's discontinued Garment division during the year ended 31st March, 2002 was derived principally from the USA and other European markets.

The following is an analysis of the carrying amount of segment assets, and capital additions analysed by the geographical area in which the assets are located:

| | Carrying amount of segment assets | | Capital additions | |
|-----------|--------------------------------------|------------------|-------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Hong Kong | 42,575 | 95,376 | - | 226 |
| The PRC | 24,264 | - | 1,177 | 407 |
| USA | - | - | - | 715 |
| | <u>66,839</u> | <u>95,376</u> | <u>1,177</u> | <u>1,348</u> |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

5. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging (crediting):

Directors' remuneration (note 8)

Other staff costs

Retirement benefit scheme contributions, net of nil forfeited contributions (2002: HK\$120,000)

Total staff costs

Auditors' remuneration:

Current year

Underprovision in prior years

Cost of temporary textile quota entitlements

Depreciation and amortisation

Interest income

Interest income from an associate

Loss (gain) on disposal of property, plant and equipment

Property rental income after deduction of outgoings of approximately HK\$1,893,000 (2002: HK\$1,933,000)

2003
HK\$'000

2002
HK\$'000

11,057

16,886

8,207

24,039

587

–

19,851

40,925

450

555

156

26

606

581

–

13,653

1,978

1,799

(263)

(1,492)

(94)

–

437

(48)

(1,794)

(2,040)

6. FINANCE COSTS

Factoring charges

Interest on

– bank borrowings wholly repayable within five years

– bank borrowings not wholly repayable within five years

– other borrowings wholly repayable within five years

2003
HK\$'000

2002
HK\$'000

–

340

–

2,047

649

–

–

375

649

2,762

7. GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

During the year ended 31st March, 2003, the Group disposed of its entire interest in six inactive subsidiaries previously engaged in the printing and dyeing operations which had been discontinued since 1997 at a nominal consideration, resulting in a gain of approximately HK\$501,000. These subsidiaries disposed of did not contribute significantly to the Group's cash flows or operating results.

On 19th March, 2002, the Company entered into a conditional sale and purchase agreement (the "Agreement") with an independent third party (the "Buyer") to dispose of its entire interest in Topstyle International Limited, which together with its subsidiaries, carried out all of the Group's Garment operations. The sale consideration of HK\$25,000,000 (the "Consideration") was subject to adjustment based on various conditions as stated in the Agreement. The disposal was effected in order to generate cash flow for future investment opportunities of the Group and for general working capital purposes. On 28th March, 2002, the Company and the Buyer agreed to reduce the Consideration to HK\$15,000,000 and the disposal was completed on the same date.

The Garment operations disposed of during the year ended 31st March, 2002 generated cash flows of approximately HK\$5,457,000 to the Group's operating activities, utilised cash flows of approximately HK\$398,000 in respect of the Group's investing activities and raised approximately HK\$15,808,000 in respect of the Group's financing activities.

A gain of approximately HK\$16,513,000 arose from the disposal of the Group's Garment operations, being the proceeds of the disposal less the carrying amount of the net assets and attributable reserves of the Garment operations.

No tax charge or credit arose from the above disposal transactions.

Details of the results of the Garment operations for the period from 1st April, 2001 to 28th March, 2002, which had been included in the consolidated financial statements, were set out in note 4.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

8. DIRECTORS' REMUNERATION

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|--------------------------------|------------------|
| Executive directors: | | |
| Fees | 4,887 | 12,358 |
| Other emoluments – salaries and other benefits | 6,170 | 4,528 |
| Total | 11,057 | 16,886 |

Remuneration of the directors are within the following bands:

| | Number of directors | |
|--------------------------------|----------------------------|------|
| | 2003 | 2002 |
| HK\$1,000,000 or below | 4 | 4 |
| HK\$4,000,001 to HK\$4,500,000 | 1 | – |
| HK\$6,500,001 to HK\$7,000,000 | 1 | – |
| HK\$7,000,001 to HK\$7,500,000 | – | 1 |
| HK\$9,000,001 to HK\$9,500,000 | – | 1 |

9. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, two (2002: two) were directors of the Company whose emoluments were included in note 8. The emoluments of the remaining three (2002: three) individuals were as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|--------------------------------|------------------|
| Salaries and other benefits | 3,813 | 2,268 |
| Retirement benefit scheme contributions | 15 | 47 |
| | 3,828 | 2,315 |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

9. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the employees were within the following bands:

| | Number of employees | |
|--------------------------------|---------------------|----------|
| | 2003 | 2002 |
| HK\$1,000,000 or below | 2 | 2 |
| HK\$1,000,001 to HK\$1,500,000 | - | 1 |
| HK\$3,500,001 to HK\$4,000,000 | 1 | - |
| | <u>3</u> | <u>3</u> |

During the years ended 31st March, 2003 and 2002, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

10. TAXATION

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---------------------------------|------------------|------------------|
| The charge comprises: | | |
| Overseas taxation | | |
| - Current year | 304 | 36 |
| - Underprovision in prior years | - | 212 |
| | <u>304</u> | <u>248</u> |

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Details of unrecognised deferred taxation were set out in note 29.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

11. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of approximately HK\$35,438,000 (2002: HK\$25,694,000) and on 959,853,750 (2002: weighted average of 914,594,604) ordinary shares in issue during this year.

There were no dilutive potential ordinary shares in issue during the years presented.

12. INVESTMENT PROPERTIES

**THE GROUP AND
THE COMPANY**
HK\$'000

VALUATION

| | |
|-------------------------------------|---------------|
| At 1st April, 2002 | 35,671 |
| Transferred from land and buildings | 915 |
| Deficit arising on revaluation | (6) |
| | <hr/> |
| At 31st March, 2003 | <u>36,580</u> |

The Group's and the Company's investment properties are held under medium-term leases in Hong Kong.

The Group's and the Company's investment properties are held for rental purposes under operating leases and were revalued at 31st March, 2003 on an open market value existing use basis by Messrs. Chung, Chan & Associates, an independent firm of Chartered Surveyors. The deficit arising on revaluation has been charged to the income statement.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

13. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Leasehold improvements | Furniture, fixtures and office equipment | Motor vehicles | Plant and machinery | Total |
|---|-----------------------|---------------------------|---|-------------------|------------------------|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| THE GROUP | | | | | | |
| COST | | | | | | |
| At 1st April, 2002 | 3,019 | 1,433 | 249 | - | 276 | 4,977 |
| Transferred to investment properties | (1,108) | - | - | - | - | (1,108) |
| Acquisition of a subsidiary | 12,185 | - | 137 | 615 | 3,097 | 16,034 |
| Additions | - | - | 5 | 593 | 579 | 1,177 |
| Disposals | - | (1,433) | (171) | (27) | (21) | (1,652) |
| Disposal of subsidiaries | (1,911) | - | (78) | - | (276) | (2,265) |
| | <u>12,185</u> | <u>-</u> | <u>142</u> | <u>1,181</u> | <u>3,655</u> | <u>17,163</u> |
| At 31st March, 2003 | 12,185 | - | 142 | 1,181 | 3,655 | 17,163 |
| DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES | | | | | | |
| At 1st April, 2002 | 2,104 | 898 | 171 | - | 197 | 3,370 |
| Transferred to investment properties | (193) | - | - | - | - | (193) |
| Provided for the year | 722 | 136 | 43 | 224 | 853 | 1,978 |
| Impairment loss recognised | 2,311 | - | - | - | 565 | 2,876 |
| Eliminated on disposals | - | (1,034) | (116) | - | (5) | (1,155) |
| Eliminated on disposal of subsidiaries | (1,911) | - | (73) | - | (194) | (2,178) |
| | <u>3,033</u> | <u>-</u> | <u>25</u> | <u>224</u> | <u>1,416</u> | <u>4,698</u> |
| At 31st March, 2003 | 3,033 | - | 25 | 224 | 1,416 | 4,698 |
| NET BOOK VALUES | | | | | | |
| At 31st March, 2003 | <u>9,152</u> | <u>-</u> | <u>117</u> | <u>957</u> | <u>2,239</u> | <u>12,465</u> |
| At 31st March, 2002 | <u>915</u> | <u>535</u> | <u>78</u> | <u>-</u> | <u>79</u> | <u>1,607</u> |

The directors have reviewed the carrying value of property, plant and equipment with reference to the estimated value determined under the discounted cash flow method and identified an impairment loss of approximately HK\$2,876,000 (2002: Nil) which has been recognised in the consolidated income statement for the current year.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Land and buildings <i>HK\$'000</i> | Leasehold improvements <i>HK\$'000</i> | Furniture, fixtures and office equipment <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|--|--|--------------------------|
| THE COMPANY | | | | |
| COST | | | | |
| At 1st April, 2002 | 1,108 | 1,433 | 171 | 2,712 |
| Transferred to investment properties | (1,108) | - | - | (1,108) |
| Disposals | - | (1,433) | (171) | (1,604) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st March, 2003 | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| DEPRECIATION AND AMORTISATION | | | | |
| At 1st April, 2002 | 193 | 898 | 102 | 1,193 |
| Transferred to investment properties | (193) | - | - | (193) |
| Provided for the year | - | 136 | 14 | 150 |
| Eliminated on disposals | - | (1,034) | (116) | (1,150) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st March, 2003 | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| NET BOOK VALUES | | | | |
| At 31st March, 2003 | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st March, 2002 | 915 | 535 | 69 | 1,519 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | THE GROUP | | THE COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| The net book value of land and buildings comprises: | | | | |
| Land and buildings held under medium-term leases in | | | | |
| - the PRC | 9,152 | - | - | - |
| - Hong Kong | - | 915 | - | 915 |
| | <u>9,152</u> | <u>915</u> | <u>-</u> | <u>915</u> |

The Group has acquired rights to the use of land (the "Land Rights") in the PRC and has erected buildings thereon. However, the relevant government authorities have not yet granted formal title to certain of these Land Rights to the Group. In the opinion of the directors of the Company, the absence of formal title to the Group's Land Rights does not impair the value of the relevant properties. The directors also believe that formal title to these Land Rights will be granted to the Group in due course.

14. GOODWILL

| | THE GROUP HK\$'000 |
|--|-----------------------|
| COST | |
| Arising on acquisition of a subsidiary during the year and balance at 31st March, 2003 | 3,468 |
| AMORTISATION | |
| Provided for the year and balance at 31st March, 2003 | <u>216</u> |
| NET BOOK VALUE | |
| At 31st March, 2003 | <u>3,252</u> |

Goodwill is amortised on a straight-line basis over a period of approximately 16 years, the remaining operating period of the subsidiary.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

15. INTEREST IN A SUBSIDIARY

| | THE COMPANY | |
|-------------------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Unlisted shares, at cost | 17,000 | 61,362 |
| Amounts due from subsidiaries | - | 8,650 |
| | 17,000 | 70,012 |
| Impairment loss recognised | (3,200) | (70,012) |
| | 13,800 | - |

Details of the Company's subsidiary at 31st March, 2003 are as follows:

| Name of subsidiary | Place of registration/ operation | Nominal value of registered capital | Percentage of nominal value of registered capital directly held by the Company | Principal activities |
|--|-------------------------------------|--|--|--|
| Beijing Huwang Wadakan Food Company Limited ("Beijing Huwang Wadakan") | PRC | RMB25,000,000 | 55% | Manufacture and sale of soya bean sauces |

Beijing Huwang Wadakan, a sino-foreign equity joint venture, is in the process of applying for its new certificate of approval, business license and the related documents upon the acquisition of the relevant interest by the Company. In the opinion of the directors of the Company, such documents will be issued in due course.

The subsidiary does not have any debt securities outstanding at the end of the year or at any time during the year.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

16. INTEREST IN AN ASSOCIATE

| | THE GROUP | | THE COMPANY | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Unlisted shares, at cost | - | - | 18,930 | 18,930 |
| Share of net assets | 200 | 10,727 | - | - |
| Amount due from an associate | 2,553 | - | - | - |
| Impairment loss recognised | - | - | (18,730) | (8,203) |
| | <u>2,753</u> | <u>10,727</u> | <u>200</u> | <u>10,727</u> |

The amount due from an associate is unsecured and non-interest bearing except for an amount of approximately HK\$1,884,000 (2002: Nil) which bears interest at 5% per annum. In the opinion of the directors, repayment of the amount will not be demanded within twelve months from the balance sheet date and the amount is therefore shown as non-current.

The movement during the year in goodwill arising from acquisition of an associate is as follows:

| | HK\$'000 |
|---|--------------|
| COST | |
| At 1st April, 2002 and 31st March, 2003 | 6,951 |
| AMORTISATION AND IMPAIRMENT LOSS | |
| At 1st April, 2002 and 31st March, 2003 | <u>6,951</u> |
| NET BOOK VALUE | |
| At 31st March, 2003 | <u>-</u> |
| At 31st March, 2002 | <u>-</u> |

The directors reviewed the carrying value of the goodwill at the balance sheet dates with reference to the discounted future cash flows from the associate and determined that it had declined below the carrying value at 31st March, 2002. Accordingly, the carrying value of the goodwill for the year ended 31st March, 2002 was reduced to reflect this impairment.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

16. INTEREST IN AN ASSOCIATE (Continued)

Details of the Company's associate at 31st March, 2003 are as follows:

| Name of associate | Place of registration/ operation | Class of shares held | Proportion of nominal value of registered capital held directly by the Company | Principal activity |
|--|-------------------------------------|----------------------|--|--|
| Beijing Wadakan Food Company Limited ("Beijing Wadakan") | PRC | Registered capital | 34.5% | Manufacture and sale of soya bean sauces |

Beijing Wadakan, a sino-foreign equity joint venture, is in the process of applying for its new certificate of approval, business license and the related documents upon the acquisition of the relevant interest by the Company. In the opinion of the directors of the Company, such documents will be issued in due course.

The following details have been extracted from the financial statements of Beijing Wadakan, the Group's significant associate:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Operating results for the year ended 31st March: | | |
| Turnover | 30,713 | 26,161 |
| Loss before taxation | (30,513) | (3,628) |
| Loss before taxation attributable to the Group | (10,527) | (1,252) |
| Financial position at 31st March: | | |
| Non-current assets | 15,124 | 41,335 |
| Current assets | 11,388 | 14,658 |
| Current liabilities | (25,932) | (24,900) |
| Net assets | 580 | 31,093 |
| Net assets attributable to the Group | 200 | 10,727 |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

17. DEPOSIT FOR ACQUISITION OF AN INVESTMENT

THE GROUP AND THE COMPANY

At 31st March, 2002, the deposit represented full consideration paid to a third party pursuant to an agreement in respect of the acquisition of a 55% interest in Beijing Huwang Wadakan for a consideration of approximately HK\$17,000,000. The acquisition was completed in April 2002 and had been accounted for by the purchase method of accounting.

Details of the goodwill arising as a result of the acquisition have been set out in note 14.

18. ADVANCE TO AN OUTSIDE PARTY

THE GROUP AND THE COMPANY

The advance is unsecured and non-interest bearing. In the opinion of the directors, repayment of the amount will not be demanded within twelve months from the balance sheet date and the amount is therefore shown as non-current.

19. INVENTORIES

| | THE GROUP | |
|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Raw materials | 406 | - |
| Work in progress | 388 | - |
| Finished goods | 250 | - |
| | <hr/> | <hr/> |
| | 1,044 | - |
| | <hr/> | <hr/> |

Included in the above are raw materials of approximately HK\$406,000 (2002: Nil) and work in progress of approximately HK\$388,000 (2002: Nil) which are carried at net realisable value.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

20. TRADE AND OTHER RECEIVABLES

At 31st March, 2003, the balance of trade and other receivables included trade receivables of approximately HK\$4,151,000 (2002: HK\$223,000). An aged analysis of trade receivables prepared on the basis of sales invoice date is as follows:

| | THE GROUP | |
|------------------|--------------|------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 2,363 | 133 |
| 31 to 60 days | 268 | 69 |
| 61 to 90 days | 637 | 13 |
| 91 days or above | 883 | 8 |
| | 4,151 | 223 |

The Group allows credit periods ranging from 30 days to 90 days (2002: 30 days only) to its trade customers.

21. AMOUNT DUE FROM SUBSIDIARY/AMOUNT DUE TO A DIRECTOR/AMOUNT DUE TO A MINORITY SHAREHOLDER

The balances are unsecured, non-interest bearing and are repayable on demand.

22. DEPOSIT WITH A FINANCIAL INSTITUTION

Details of a deposit with a financial institution are as follows:

| | THE GROUP AND THE COMPANY | | |
|---|---------------------------|----------|-------------|
| | Balance | Balance | Maximum |
| | at | at | amount |
| Name of financial institution | 31.3.2003 | 1.4.2002 | outstanding |
| | HK\$'000 | HK\$'000 | during |
| | | | the year |
| | | | HK\$'000 |
| Orient Group Finance Company Limited ("Orient Finance") | - | 17,804 | 17,804 |

The amount represented an interest bearing fixed deposit placed with Orient Finance, a company established in the PRC which is authorised by the People's Bank of China of the PRC to operate as a non-bank financial institution in the PRC under the regulations of administration of financial institutions. Mr. Zhang Hongwei has a beneficial interest in Orient Finance and the deposit with it was on commercial rates. Interest income from this deposit during the year ended 31st March, 2003 amounted to approximately HK\$204,000 (2002: HK\$410,000).

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

23. TRADE AND OTHER PAYABLES

At 31st March, 2003, the balances of trade and other payables included trade payables of approximately HK\$2,065,000 (2002: HK\$763,000). An aged analysis of trade payables prepared on the basis of supplier invoice date is as follows:

| | THE GROUP | |
|------------------|------------------|-----------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 392 | 11 |
| 31 to 60 days | 435 | 86 |
| 61 to 90 days | 97 | 209 |
| 91 days or above | 1,141 | 457 |
| | 2,065 | 763 |

24. BANK BORROWINGS

| | THE GROUP AND THE COMPANY | |
|---|--------------------------------------|-----------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Secured bank loans | 11,325 | 13,652 |
| Unsecured bank overdraft | 103 | - |
| | 11,428 | 13,652 |
| The bank borrowings are repayable as follows: | | |
| Within one year | 1,109 | 4,597 |
| Between one and two years | 1,047 | 3,714 |
| Between two and five years | 3,400 | 5,341 |
| Over five years | 5,872 | - |
| | 11,428 | 13,652 |
| Less: Amount due within one year shown under current liabilities | (1,109) | (4,597) |
| Amount due after one year | 10,319 | 9,055 |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

25. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|----------------------|--------------------|
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 1st April, 2001 | 800,000,000 | 80,000 |
| Increase during the year (<i>note a</i>) | 800,000,000 | 80,000 |
| | <u>1,600,000,000</u> | <u>160,000</u> |
| At 31st March, 2002 and 31st March, 2003 | <u>1,600,000,000</u> | <u>160,000</u> |
| Issued and fully paid: | | |
| At 1st April, 2001 | 767,883,000 | 76,788 |
| Rights issue of shares (<i>note b</i>) | 191,970,750 | 19,197 |
| | <u>959,853,750</u> | <u>95,985</u> |
| At 31st March, 2002 and 31st March, 2003 | <u>959,853,750</u> | <u>95,985</u> |

Notes:

- (a) Pursuant to a resolution passed at an extraordinary general meeting of the Company on 22nd June, 2001, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$160,000,000 by the creation of 800,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the then existing issued and unissued shares of the Company.
- (b) On 19th July, 2001, 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 shares issued rank pari passu in all respects with the then existing issued shares of the Company.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

26. RESERVES

| | Share premium account <i>HK\$'000</i> | Other property revaluation reserve <i>HK\$'000</i> | Deficit <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|--|----------------------------|--------------------------|
| THE COMPANY | | | | |
| At 1st April, 2001 | 88,597 | 2,672 | (93,928) | (2,659) |
| Premium arising on issue of shares | 3,839 | – | – | 3,839 |
| Expenses incurred in connection with the issue of shares | (1,776) | – | – | (1,776) |
| Net loss for the year | – | – | (19,290) | (19,290) |
| At 31st March, 2002 | 90,660 | 2,672 | (113,218) | (19,886) |
| Net loss for the year | – | – | (35,818) | (35,818) |
| At 31st March, 2003 | <u>90,660</u> | <u>2,672</u> | <u>(149,036)</u> | <u>(55,704)</u> |

The other property revaluation reserve arose in the period before the relevant properties were reclassified as investment properties. On the subsequent sale or retirement of these properties, such revaluation surplus will be transferred directly to accumulated profits/deficit.

In accordance with the Company's Articles of Association, no dividend shall be paid otherwise than out of profits. Accordingly, as at 31st March, 2003, the Company did not have any distributable reserves.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

27. ACQUISITION OF A SUBSIDIARY

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Net assets acquired: | | |
| Property, plant and equipment | 16,034 | – |
| Inventories | 1,505 | – |
| Trade and other receivables | 5,276 | – |
| Amount due from an associate | 2,459 | – |
| Bank balances and cash | 2,578 | – |
| Trade and other payables | (2,282) | – |
| Amount due to a minority shareholder | (894) | – |
| Taxation | (72) | – |
| Minority interest | (11,072) | – |
| | <hr/> | <hr/> |
| | 13,532 | – |
| Goodwill arising on acquisition of a subsidiary | 3,468 | – |
| | <hr/> | <hr/> |
| | 17,000 | – |
| | <hr/> | <hr/> |
| Satisfied by: | | |
| Deposit paid for acquisition of an investment | 17,000 | – |
| | <hr/> | <hr/> |

Analysis of net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Bank balances and cash acquired and inflow of cash and cash equivalents in respect of acquisition of a subsidiary | 2,578 | – |
| | <hr/> | <hr/> |

The subsidiary acquired during the year contributed approximately HK\$23,737,000 to the Group's turnover, and a profit of approximately HK\$1,615,000 to the Group's loss from operations.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

28. DISPOSAL OF SUBSIDIARIES

As referred to in note 7, the Group disposed of its previously discontinued printing and dyeing operations, and Garment operations during the years ended 31st March, 2003 and 2002, respectively. The net (liabilities) assets of these operations at the date of disposal were as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Net (liabilities) assets disposed of: | | |
| Investment properties | - | 3,353 |
| Property, plant and equipment | 87 | 12,242 |
| Interests in associates | - | 1,959 |
| Inventories | - | 15,565 |
| Trade and other receivables | - | 11,092 |
| Amount due from factor | - | 7,992 |
| Amount due from the Company | 372 | - |
| Amounts due from associates | - | 6,547 |
| Taxation recoverable | - | 41 |
| Pledged bank deposits | - | 4,000 |
| Bank balances and cash | - | 4,988 |
| Balance of consideration payable on acquisition of a subsidiary | - | (1,243) |
| Trade and other payables | (588) | (17,431) |
| Bank overdrafts | - | (245) |
| Trust receipt and import loans | - | (15,808) |
| Minority interests | - | (1,402) |
| | (129) | 31,650 |
| Other property revaluation reserve realised | - | (8,098) |
| Translation reserve realised | - | (38) |
| Goodwill realised | - | 157 |
| Special reserve realised | - | (33,282) |
| Gain on disposal | 501 | 16,513 |
| Transfer of realised other property revaluation reserve to deficit | - | 8,098 |
| | 372 | 15,000 |
| Satisfied by: | | |
| Assumption of debt of the Company | 372 | - |
| Cash consideration received | - | 15,000 |
| | 372 | 15,000 |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

28. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

| | 2003 HK\$'000 | 2002 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Cash consideration received | - | 15,000 |
| Bank balances and cash disposed of | - | (4,988) |
| Bank overdrafts disposed of | - | 245 |
| | <hr/> | <hr/> |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | - | 10,257 |
| | <hr/> | <hr/> |

The subsidiaries disposed of during the year did not contribute significantly to the Group's operating results.

The subsidiaries disposed of during the year ended 31st March, 2002 contributed approximately HK\$147,564,000 to the Group's turnover and a loss of approximately HK\$3,996,000 to the Group's loss from operations.

29. UNRECOGNISED DEFERRED TAXATION

At the balance sheet date, the major components of deferred taxation assets which have not been recognised are as follows:

| | THE GROUP | | THE COMPANY | |
|--|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | 2003 HK\$'000 | 2002 <i>HK\$'000</i> | 2003 HK\$'000 | 2002 <i>HK\$'000</i> |
| Tax effect of timing differences because of: | | | | |
| Tax losses available to set off against future profits | 4,576 | 4,286 | 4,576 | 4,286 |
| Impairment loss on property, plant and equipment | 690 | - | - | - |
| Other timing differences | 666 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 5,932 | 4,286 | 4,576 | 4,286 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

29. UNRECOGNISED DEFERRED TAXATION (Continued)

The amount of the unrecognised deferred tax credit for the year are as follows:

| | THE GROUP | | THE COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Tax effect of timing differences because of: | | | | |
| Tax losses arising | 290 | 650 | 290 | 650 |
| Impairment loss recognised on property, plant and equipment | 690 | - | - | - |
| Other timing differences | 666 | - | - | - |
| | <u>1,646</u> | <u>650</u> | <u>290</u> | <u>650</u> |

A deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

The surplus arising on revaluation of the Group's properties in Hong Kong does not constitute a timing difference for tax purposes as any profits realised on their subsequent disposal would not be subject to taxation.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

30. PLEDGE OF ASSETS

At the balance sheet date, the net book values of the assets pledged by the Group and the Company to financial institutions to secure credit facilities granted to the Company (2002: the Group, the Company and certain former subsidiaries of the Group) are analysed as follows:

| | THE GROUP AND THE COMPANY | |
|-----------------------|--------------------------------------|----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Investment properties | 36,580 | 35,671 |
| Land and buildings | - | 915 |
| Bank deposits | - | 10,547 |
| Other assets | 115 | 7 |
| | <hr/> | <hr/> |
| | 36,695 | 47,140 |
| | <hr/> | <hr/> |

At 31st March, 2003, the Group and the Company 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 and the Company to secure credit facilities granted to the Company.

At 31st March, 2002, the bank deposits and other assets were pledged to secure short-term credit facilities granted to certain former subsidiaries of the Group.

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

| | THE GROUP AND THE COMPANY | |
|---|--------------------------------------|----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Minimum lease payments paid under operating leases during the year in respect of land and buildings | 1,047 | 7,170 |
| | <hr/> | <hr/> |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

31. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessee (Continued)

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments in respect of land and buildings of approximately HK\$106,000 (2002: HK\$4,528,000) under non-cancellable operating leases which fall due within one year.

Operating lease payments represent rentals payable by the Group for certain of its office premises, directors' and staff quarters, and motor vehicles. Leases are negotiated for a term of one year and rentals are fixed throughout the lease period.

The Group as lessor

Property rental income earned by the Group during the year was approximately HK\$3,687,000 (2002: HK\$3,973,000). Significant leases are negotiated for a lease term of 1 to 3 years.

At the balance sheet date, the Group and the Company had contracted with tenants for the following future minimum lease payments:

| | THE GROUP AND THE COMPANY | |
|---------------------------------------|------------------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Within one year | 3,090 | 2,428 |
| In the second to fifth year inclusive | 846 | 889 |
| | <u>3,936</u> | <u>3,317</u> |

32. CONTINGENT LIABILITIES

| | THE GROUP AND THE COMPANY | |
|--|------------------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Corporate guarantees given to banks and other financial institutions in respect of credit facilities extended to certain former subsidiaries | <u>31,200</u> | <u>64,000</u> |

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2003

33. RETIREMENT BENEFIT SCHEME

The Group participates in the MPF Scheme registered under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce contributions payable in future years.

The employees of the subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute 20% of the basic salary of its employees to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit is to make the specified contribution.

The total cost charged to income statement of HK\$587,000 (2002: Nil) represents contributions payable to these schemes by the Group in respect of current accounting period.

34. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transaction described in note 22, the following significant related party transaction had been entered into by the Group during the year:

| Nature of transactions | An associate | |
|--------------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Interest income received | 94 | - |
| Management fee received | - | 210 |
| Rental income received | - | 29 |
| | <u>94</u> | <u>239</u> |

The transactions were carried out in accordance with terms determined and agreed by both parties.

In addition, a director of the Company and the ultimate holding company have also given guarantees to the extent of approximately HK\$15,500,000 (2002: Nil), at nil consideration, to a banker in respect of credit facilities granted to the Company.

Details of the balances with related parties at the balance sheet date are set out in the consolidated balance sheet on page 15 and notes 20, 21 and 22.