

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 company. The principal activities of its subsidiary are set out in note 15.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised) Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this SSAP has had no material effect on the results for the current or prior years.

3. SIGNIFICANT 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.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. Goodwill is recognised as an asset 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.

On disposal of a subsidiary, or associate, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

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.

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.

Investment properties

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

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 decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On subsequent 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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 these 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. An impairment loss is 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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

Transactions in foreign currencies other than Hong Kong dollars 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.

On consolidation, the assets and liabilities of subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at exchange rates prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised to income or as expenses in the period in which the operations are disposed of.

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

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For the year ended 31st March, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments:

For management purposes, the Group is currently organised into two operating divisions – property rental and the manufacturing and sales of food (“Food”). These divisions are the basis on which the Group reports its primary segment information.

During the year ended 31st March, 2004, the Group has discontinued its Food business (Note 7).

Segment information about these businesses is presented below:

For the year ended 31st March, 2004

	(Discontinued) Food HK\$'000	(Continuing) Property rental HK\$'000	Consolidated HK\$'000
Turnover	<u>1,121</u>	<u>3,599</u>	<u>4,720</u>
Segment result	<u>(22,374)</u>	<u>1,095</u>	<u>(21,279)</u>
Unallocated corporate expenses			<u>(7,927)</u>
Loss from operations			<u>(29,206)</u>
Finance costs			<u>(444)</u>
Loss on disposal of discontinued operations	(63)	-	<u>(63)</u>
Loss before minority interest			<u>(29,713)</u>
Minority interest			<u>8,605</u>
Net loss for the year			<u>(21,108)</u>
Other information			
Depreciation and amortisation	2,381	-	2,381
Amortisation of goodwill	108	-	108
Allowance for bad and doubtful debts	1,155	2,400	3,555
Impairment loss on property, plant and equipment	8,148	-	8,148
Impairment loss on goodwill	3,144	-	<u>3,144</u>

At 31st March, 2004, 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.

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For the year ended 31st March, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments: (Continued)

For the year ended 31st March, 2003

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

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4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments: (Continued)

At 31st March, 2003

	(Discontinued) Food HK\$'000	(Continuing) 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>	63,166
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, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments:

The Group's operations are currently located in Hong Kong only. Before the discontinuance of Food business, the Group's operations were located in Hong Kong and the PRC. The Group's Food division was carried out in PRC and property rental division was located in Hong Kong.

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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The PRC	1,121	23,737	(22,374)	(3,180)
Hong Kong	3,599	3,687	1,095	(2,559)
	<u>4,720</u>	<u>27,424</u>	<u>(21,279)</u>	<u>(5,739)</u>
Interest income			-	357
Loss on disposal of marketable securities			-	(539)
Unallocated corporate expenses			(7,927)	(19,959)
Loss from operations			<u>(29,206)</u>	<u>(25,880)</u>

Revenue from the Group's discontinued Food division during the year ended 31st March, 2004 was derived principally from the PRC 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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	39,071	42,575	-	-
The PRC	-	24,264	-	1,177
	<u>39,071</u>	<u>66,839</u>	<u>-</u>	<u>1,177</u>

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For the year ended 31st March, 2004

5. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Directors' remuneration (<i>note 8</i>)	2,000	11,057
Other staff costs	296	8,207
Retirement benefit scheme contributions	21	587
	<hr/> 2,317 <hr/>	<hr/> 19,851 <hr/>
Total staff costs		
Auditors' remuneration:		
Current year	250	450
Underprovision in prior years	-	156
	<hr/> 250 <hr/>	<hr/> 606 <hr/>
Depreciation and amortisation	2,381	1,978
Interest income (<i>Note</i>)	-	(263)
Interest income from an associate	-	(94)
Loss on disposal of property, plant and equipment	-	437
Property rental income after deduction of outgoings of approximately HK\$1,768,000 (2003: HK\$1,893,000)	(1,831)	(1,794)
	<hr/> (1,831) <hr/>	<hr/> (1,794) <hr/>

Note: Included in interest income was an amount of approximately HK\$204,000, which represented an interest bearing fixed deposit placed with Orient Group Finance Company Limited ("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 in the opinion of directors the deposit with it was on commercial rates.

There is no such interest income in 2004.

6. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings not wholly repayable within five years	444	649
	<hr/> 444 <hr/>	<hr/> 649 <hr/>

Notes to the Financial Statements

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For the year ended 31st March, 2004

7. (LOSS) GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

On 2nd October, 2003, the Company entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Buyer") to dispose of its entire interest in Beijing Huwang Wadakan Food Company Limited which carried out all of the Group's Food operations at a consideration of approximately HK\$94,000 (the "Consideration"). This subsidiary disposed of did not contribute significantly to the Group's cash flows.

A loss of approximately HK\$63,000 arose from the disposal of the Group's Food operations, being the proceeds of the disposal less the carrying amount of the net assets and reserves of the Food operations.

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

Details of the results of the Food operations for the period from 1st April, 2003 up to the date of disposal, which had been included in the consolidated financial statements, were set out in note 4.

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.

8. DIRECTORS' REMUNERATION

	2004 HK\$'000	2003 HK\$'000
Executive directors:		
Fees	2,000	4,887
Other emoluments – salaries and other benefits	-	6,170
Total	<u>2,000</u>	<u>11,057</u>

Remuneration of the directors are within the following bands:

	Number of directors	
	2004	2003
HK\$1,000,000 or below	4	4
HK\$1,000,001 to HK\$1,500,000	1	-
HK\$4,000,001 to HK\$4,500,000	-	1
HK\$6,500,001 to HK\$7,000,000	-	1
	<u>-</u>	<u>1</u>

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9. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, two (2003: two) were directors of the Company whose emoluments were included in note 8. The emoluments of the remaining three (2003: three) individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	296	3,813
Retirement benefit scheme contributions	21	15
	317	3,828

The emoluments of the employees were within the following bands:

	Number of employees 2004	2003
HK\$1,000,000 or below	3	2
HK\$3,500,001 to HK\$4,000,000	-	1
	3	3

During the years ended 31st March, 2004 and 2003, 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.

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10. INCOME TAX EXPENSE

The charge comprises:

Overseas taxation

2004	2003
HK\$'000	HK\$'000
-	304

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 deferred tax assets and liabilities for the year are set out in note 27.

The charge for the year can be reconciled to the loss per the income statement as follows:

	2004	2003
	HK\$'000	HK\$'000
Loss before taxation	(29,713)	(36,555)
Tax at the domestic income tax rate of 17.5% (2003: 16%)	(5,200)	(5,849)
Tax effect of expenses not deductible for tax purposes	3,015	5,966
Tax effect of income not taxable for tax purposes	(214)	(207)
Tax effect of tax losses not recognised	1,347	485
Income tax on concessionary rate on a PRC subsidiary	2,295	(296)
Effect of different tax rates of operating in other jurisdictions	(1,243)	205
Tax expense for the year	-	304

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\$21,108,000 (2003: HK\$35,438,000) and on 959,853,750 (2003: 959,853,750) ordinary shares in issue during this year.

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

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12. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>	THE COMPANY <i>HK\$'000</i>
VALUATION		
At 1st April, 2003	36,580	36,580
Transferred to a subsidiary	-	(36,580)
Surplus arising on revaluation	420	-
	<hr/>	<hr/>
At 31st March, 2004	<u>37,000</u>	<u>-</u>

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

The Group's investment properties are held for rental purposes under operating leases and were revalued at 31st March, 2004 on an open market value existing use basis by Messrs. Chung, Chan & Associates, an independent firm of Chartered Surveyors. The surplus arising on revaluation has been credited to the income statement.

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For the year ended 31st March, 2004

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1st April, 2003	12,185	142	1,181	3,655	17,163
Disposal of a subsidiary	(12,185)	(142)	(1,181)	(3,655)	(17,163)
At 31st March, 2004	-	-	-	-	-
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES					
At 1st April, 2003	3,033	25	224	1,416	4,698
Provided for the year	1,289	24	71	997	2,381
Impairment loss recognised	6,075	81	750	1,242	8,148
Eliminated on disposal of a subsidiary	(10,397)	(130)	(1,045)	(3,655)	(15,227)
At 31st March, 2004	-	-	-	-	-
NET BOOK VALUES					
At 31st March, 2004	-	-	-	-	-
At 31st March, 2003	9,152	117	957	2,239	12,465

The directors have reviewed the carrying value of property, plant and equipment and identified that its recoverable amount was lower than the carrying amount. An impairment loss of approximately HK\$8,148,000 were recognised in the consolidated income statement for the current year. The recoverable amount represents the net selling price of the relevant assets estimated by the directors of the Company.

The net book value of land and buildings comprised of land and buildings held under medium-term leases in the PRC

THE GROUP	
2004 HK\$'000	2003 <i>HK\$'000</i>
-	9,152

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14. GOODWILL

	THE GROUP HK\$'000
COST	
At 1st April, 2003	3,468
Eliminated on disposal during the year	(3,468)
At 31st March, 2004	-
AMORTISATION	
At 1st April, 2003	216
Provided for the year	108
Impairment loss recognised	3,144
Eliminated on disposal during the year	(3,468)
At 31st March, 2004	-
NET BOOK VALUES	
At 31st March, 2004	-
At 31st March, 2003	3,252

Goodwill was amortised on a straight-line basis over a period of approximately 16 years, the remaining operating period of the subsidiary. The amount was eliminated on disposal of the Company's subsidiary during the year.

15. INVESTMENT IN A SUBSIDIARY

	THE COMPANY 2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	10	17,000
Impairment loss recognised	-	(3,200)
	10	13,800

Details of the Company's subsidiary at 31st March, 2004 are as follows:

Name of subsidiary	Place of registration/ operation	Nominal value of issued capital	Proportion of nominal value of issued capital held by the Company	Principal activities
Fine Profit Corporation Limited	Hong Kong	HK\$10,000	100%	Property holding

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

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16. INTEREST IN AN ASSOCIATE

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	-	-	-	18,930
Share of net assets	-	200	-	-
Amount due from an associate	-	2,553	-	-
Impairment loss recognised	-	-	-	(18,730)
	<u>-</u>	<u>2,753</u>	<u>-</u>	<u>200</u>

During the year, the Group and the Company disposed of the associate at a consideration of HK\$200,000.

At 31st March, 2003, the amount due from an associate was unsecured and non-interest bearing except for an amount of approximately HK\$1,884,000 which bore interest at 5% per annum. In the opinion of the directors, repayment of the amount would not be demanded within twelve months from the balance sheet date and the amount was therefore shown as non-current.

The movement during the year in goodwill is as follows:

	HK\$'000
COST	
At 1st April, 2003	6,951
Eliminated on disposal during the year	(6,951)
At 31st March, 2004	<u>-</u>
AMORTISATION AND IMPAIRMENT LOSS	
At 1st April, 2003	6,951
Eliminated on disposal during the year	(6,951)
At 31st March, 2004	<u>-</u>
NET BOOK VALUES	
At 31st March, 2004 and 2003	<u><u>-</u></u>

17. ADVANCE TO AN OUTSIDE PARTY

THE GROUP AND THE COMPANY

The advance was unsecured and non-interest bearing. In the opinion of the directors, repayment of the amount would not be demanded within twelve months since 31st March, 2003 and the amount was therefore shown as non-current. The amount was fully provided for as at 31st March, 2004.

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18. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	-	406
Work in progress	-	388
Finished goods	-	250
	<u>-</u>	<u>1,044</u>
	54	4,151

The Group did not hold any inventory as at 31st March, 2004.

At 31st March, 2003, raw materials of approximately HK\$406,000 and work in progress of approximately HK\$388,000 which were carried at net realisable value.

19. TRADE AND OTHER RECEIVABLES

At 31st March, 2004, the balance of trade and other receivables included trade receivables of approximately HK\$54,000 (2003: HK\$4,151,000). An aged analysis of trade receivables prepared on the basis of sales invoice date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 to 30 days	48	2,363
31 to 60 days	6	268
61 to 90 days	-	637
91 days or above	-	883
	<u>54</u>	<u>4,151</u>
	54	4,151

At 31st March, 2004, trade receivables comprise of rental receivables which are billed in advance and settlement are expected upon receipts of billing. At 31st March, 2003, the Group allowed credit periods ranging from 30 days to 90 days to its trade customers.

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20. TRADE AND OTHER PAYABLES

At 31st March, 2004, the balances of trade and other payables included trade payables of approximately HK\$649,000 (2003: HK\$2,065,000). An aged analysis of trade payables prepared on the basis of supplier invoice date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 to 30 days	11	392
31 to 60 days	131	435
61 to 90 days	-	97
91 days or above	507	1,141
	649	2,065

21. AMOUNT DUE FROM A 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. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Secured bank loans	12,412	11,325	-	11,325
Unsecured bank overdraft	192	103	192	103
	12,604	11,428	192	11,428
The bank borrowings are repayable as follows:				
Within one year	1,260	1,109	192	1,109
Between one and two years	1,103	1,047	-	1,047
Between two and five years	3,532	3,400	-	3,400
Over five years	6,709	5,872	-	5,872
	12,604	11,428	192	11,428
Less: Amount due within one year shown under current liabilities	(1,260)	(1,109)	(192)	(1,109)
Amount due after one year	11,344	10,319	-	10,319

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ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2004

23. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	1,600,000,000	160,000
<i>Issued and fully paid:</i>		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	959,853,750	95,985

24. RESERVES

	Share premium account HK\$'000	Other property revaluation reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 2002	90,660	2,672	(113,218)	(19,886)
Net loss for the year	–	–	(35,818)	(35,818)
At 31st March, 2003	90,660	2,672	(149,036)	(55,704)
Realised on disposal of properties	–	(2,672)	2,672	–
Net loss for the year	–	–	(32,654)	(32,654)
At 31st March, 2004	90,660	–	(179,018)	(88,358)

The other property revaluation reserve arose in the period before the relevant properties were reclassified as investment properties. On the subsequent sale of these properties to the Company's subsidiary, such revaluation surplus has been transferred directly to the Company's accumulated 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, 2004, the Company did not have any distributable reserves.

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ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2004

25. DISPOSAL OF SUBSIDIARIES

As referred to in note 7, the Group disposed of its Food operations, and printing and dyeing operations during the years ended 31st March, 2004 and 2003, respectively. The net assets (liabilities) of these operations at the date of disposal were as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets (liabilities) disposed of:		
Property, plant and equipment	1,936	87
Inventories	419	-
Trade and other receivables	1,664	-
Amount due from the Company	-	372
Bank balances and cash	2,597	-
Trade and other payables	(6,104)	(588)
Minority interests	(230)	-
	282	(129)
Other non-distributable reserve realised	(125)	-
(Loss) gain on disposal	(63)	501
	94	372
Satisfied by:		
Assumption of debt of the Company	-	372
Cash consideration received	94	-
	94	372

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

	2004 HK\$'000	2003 HK\$'000
Cash consideration received	94	-
Bank balances and cash disposed of	(2,597)	-
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(2,503)	-

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ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2004

25. DISPOSAL OF SUBSIDIARIES (Continued)

The subsidiaries disposed of during the year ended 31st March, 2004 contributed approximately HK\$1,121,000 to the Group's turnover, a loss of approximately HK\$22,374,000 to the Group's loss from operations and approximately HK\$1,464,000 to the Group's net operating cash flows.

The subsidiaries disposed of during the year ended 31st March, 2003 did not contribute significantly to the Group's operating results.

26. ACQUISITION OF A SUBSIDIARY

	2003 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)
	<u>13,532</u>
Goodwill arising on acquisition of a subsidiary	<u>3,468</u>
	<u><u>17,000</u></u>

Satisfied by:

Deposit paid for acquisition of an investment	<u><u>17,000</u></u>
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Analysis of net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:

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

The subsidiary acquired during the year ended 31st March, 2003 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.

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ORIENT RESOURCES GROUP COMPANY LIMITED

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27. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognised by the Group and the Company and movements thereon during the year and prior year.

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2002			
- as previously reported	-	-	-
- adjustment on adoption of SSAP 12 (Revised)	320	(320)	-
- as restated	320	(320)	-
Charge (credit) to income statement	54	(54)	-
At 31st March, 2003 and 1st April, 2003	374	(374)	-
(Credit) charge to income for the year	(409)	409	-
Effect of change in tax rate			
- Charge (credit) to income statement	35	(35)	-
At 31st March, 2004	-	-	-

At 31st March, 2004, the Group and the Company has unused tax losses of approximately HK\$15,997,000 (2003: HK\$10,640,000) and HK\$15,997,000 (2003: HK\$10,640,000), respectively, available to offset against future profits. No deferred tax asset has been recognised in respect of such losses (2003: HK\$2,339,000) for the Group and the Company. No deferred tax asset has been recognised in respect of the remaining HK\$15,997,000 (2003: HK\$8,301,000) and HK\$15,997,000 (2003: HK\$8,301,000) for the Group and the Company, respectively, due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2004

28. PLEDGE OF ASSETS

At the balance sheet date, the net book values of the assets pledged by the Group to financial institutions to secure credit facilities granted to the Group (2003: the Group and the Company) are analysed as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Investment properties	37,000	36,580	-	36,580
Other assets	54	115	-	115
	<u>37,054</u>	<u>36,695</u>	<u>-</u>	<u>36,695</u>

At 31st March, 2004, the Group (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 to secure credit facilities granted to the Company.

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP AND THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases during the year in respect of land and buildings	<u>-</u>	<u>1,047</u>

At the balance sheet date, the Group and the Company had no commitments for future minimum lease payments in respect of land and buildings (2003: HK\$106,000) under non-cancellable operating leases which fall due within one year.

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

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ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2004

29. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

Property rental income earned by the Group during the year was approximately HK\$3,599,000 (2003: HK\$3,687,000). 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		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	2,239	3,090	-	3,090
In the second to fifth year inclusive	770	846	-	846
	<u>3,009</u>	<u>3,936</u>	<u>-</u>	<u>3,936</u>

30. CONTINGENT LIABILITIES

	THE GROUP AND THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Corporate guarantees given to banks and other financial institutions in respect of credit facilities extended to certain former subsidiaries	-	31,200
Corporate guarantees given to banks in respect of banking facilities utilised by a subsidiary	<u>12,597</u>	<u>-</u>

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2004

31. 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\$21,000 (2003: HK\$587,000) represents contributions payable to these schemes by the Group in respect of current accounting period.

32. RELATED PARTY TRANSACTIONS AND BALANCES

The following significant related party transaction had been entered into by the Group during the year:

Nature of transactions	An associate	
	2004 HK\$'000	2003 HK\$'000
Interest income received	-	94

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

For the year ended 31st March, 2004, there are no guarantees given by a director of the Company to banker in respect of credit facilities granted to the Company. For the year ended 31st March, 2003, a director of the Company and the ultimate holding company had given guarantees to the extent of approximately HK\$15,500,000, at nil consideration, to a banker in respect of credit facilities granted to the Company.

Oriental Harbour Holding Limited, a company in which Messrs. Zhang Hongwei and Wong Wing Ming have beneficial interests and are the directors of, has agreed to provide financial support to enable the Group to meet in full its financial obligations as they fall due for a period of twelve months from the date of this report.

Details of the balances with related parties at the balance sheet date are set out in the consolidated balance sheet on page 13 and note 21.