

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 activity of its subsidiary is set out in note 13.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because Oriental Harbour Holding Limited ("Oriental Harbour"), a related 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.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

The Group has considered these new HKFRSs but does not expect that the adoption of these new HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

4. 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 subsidiary made up to 31st March each year.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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 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 the acquisition of a subsidiary is presented separately in the balance sheet.

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

Investment in a subsidiary

Investment in a subsidiary is included in the Company's balance sheet at cost less 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 lease terms.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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 income statement 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 taxable profit nor the accounting profit.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 is 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.

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.

On consolidation, the assets and liabilities of subsidiary 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 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, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments:

For the year ended 31st March, 2005, the Group was solely engaged in properties letting business.

For the year ended 31st March, 2004, the Group was organised into two operating divisions – property rental and the manufacturing and sales of food (“Food”). These divisions were the basis on which the Group reported its primary segment information. During the year ended 31st March, 2004, the Group discontinued its Food business.

Segment information about these businesses is presented below:

For the year ended 31st March, 2004

	(Continuing operation) Property rental HK\$'000	(Discontinued operation) Food HK\$'000	Consolidated HK\$'000
Turnover	<u>3,599</u>	<u>1,121</u>	<u>4,720</u>
Segment result	<u>1,095</u>	<u>(22,374)</u>	(21,279)
Unallocated corporate expenses			<u>(7,927)</u>
Loss from operations			(29,206)
Finance costs			(444)
Loss on disposal of discontinued operations	–	(63)	<u>(63)</u>
Loss before minority interest			(29,713)
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	2,400	1,155	3,555
Impairment loss on property, plant and equipment	–	8,148	8,148
Impairment loss on goodwill	–	3,144	<u>3,144</u>

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments: *(Continued)*

At 31st March, 2005 and 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.

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	
	2005 HK\$'000	2004 HK\$'000
Hong Kong	3,884	3,599
The PRC	-	1,121
	<hr/>	<hr/>
	3,884	4,720
	<hr/>	<hr/>

Revenue from the Group's discontinued Food division during the year ended 31st March, 2004 was derived principally from the PRC markets.

At 31st March, 2005 and 2004, the Group was solely engaged in properties letting business located in Hong Kong and accordingly, no analysis of the Group's carrying amount of segment assets and capital additions by geographical area was presented.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

6. LOSS FROM OPERATIONS

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

Directors' remuneration (*note 8*)

Other staff costs

Retirement benefit scheme contributions

Total staff costs

Auditors' remuneration

Depreciation and amortisation of property, plant and equipment

Property rental income after deduction of outgoings of approximately HK\$2,149,000 (2004: HK\$1,768,000)

Cost of inventories recognised as expense

2005 HK\$'000	2004 HK\$'000
10,200	2,000
343	296
23	21
<hr/>	<hr/>
10,566	2,317
<hr/>	<hr/>
250	250
-	2,381
(1,735)	(1,831)
-	2,682
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7. FINANCE COSTS

Interest on bank borrowings not wholly repayable within five years

2005 HK\$'000	2004 HK\$'000
391	444
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8. DIRECTORS' REMUNERATION

Independent non-executive directors:
Fees

Executive directors:

Fees

Salaries

Total

2005 HK\$'000	2004 HK\$'000
500	-
4,000	2,000
5,700	-
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10,200	2,000
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Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

8. DIRECTORS' REMUNERATION *(Continued)*

Remuneration of the directors are within the following bands:

	Number of directors	
	2005	2004
HK\$1,000,000 or below	6	4
HK\$1,000,001 to HK\$1,500,000	-	1
HK\$9,500,001 to HK\$10,000,000	1	-
	<u>1</u>	<u>-</u>

9. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2004: two) were directors of the Company whose emoluments were included in note 8. The emoluments of the remaining two (2004: three) individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	310	296
Retirement benefit scheme contributions	14	21
	<u>324</u>	<u>317</u>

The emoluments of the employees were within the following bands:

	Number of employees	
	2005	2004
HK\$1,000,000 or below	2	3
	<u>2</u>	<u>3</u>

During the years ended 31st March, 2005 and 2004, 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.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

10. INCOME TAX EXPENSE

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

Details of deferred tax assets and liabilities for the year are set out in note 22.

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

	2005 HK\$'000	2004 HK\$'000
Loss before taxation	(30,338)	(29,713)
Tax at Hong Kong Profits Tax rate of 17.5%	(5,309)	(5,200)
Tax effect of expenses not deductible for tax purpose	5,877	3,015
Tax effect of income not taxable for tax purpose	-	(214)
Tax effect of tax losses not recognised	-	1,347
Utilization of tax loss not recognised	(568)	-
Income tax on concessionary rate on a PRC subsidiary	-	2,295
Effect of different tax rates of operating in other jurisdictions	-	(1,243)
Tax expense for the year	-	-

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\$30,338,000 (2004: HK\$21,108,000) and on 959,853,750 (2004: 959,853,750) ordinary shares in issue during this year.

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

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

12. INVESTMENT PROPERTIES

**THE
GROUP**
HK\$'000

AT VALUATION

At 1st April, 2004 37,000

Deficit arising on revaluation (18,500)

At 31st March, 2005 18,500

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, 2005 on an open market value existing use basis by BMI Appraisals Limited, an independent firm of surveyors. The deficit arising on revaluation has been charged to the consolidated income statement.

13. INVESTMENT IN A SUBSIDIARY

THE COMPANY

	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	10	10

Details of the Company's subsidiary at 31st March, 2005 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 activity
Fine Profits Corporation Limited	Hong Kong	HK\$10,000	100%	Property investment

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, 2005

14. TRADE AND OTHER RECEIVABLES

At 31st March, 2005, the balance of trade and other receivables included trade receivables of approximately HK\$56,000 (2004: HK\$54,000). An aged analysis of trade receivables prepared on the basis of sales invoice date is as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 to 30 days	-	48
31 to 60 days	-	6
61 to 90 days	53	-
91 days or above	3	-
	<hr/>	<hr/>
	56	54
	<hr/>	<hr/>

At 31st March, 2005 and 2004, trade receivables represent rental receivables which are billed in advance and settlement are expected upon receipts of billing.

15. TRADE AND OTHER PAYABLES

At 31st March, 2005, the balances of trade and other payables included trade payables of approximately HK\$1,268,000 (2004: HK\$649,000). An aged analysis of trade payables prepared on the basis of supplier invoice date is as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 to 30 days	-	11
31 to 60 days	65	131
61 to 90 days	91	-
91 days or above	1,112	507
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	1,268	649
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16. AMOUNT DUE FROM A SUBSIDIARY/AMOUNTS DUE TO DIRECTORS

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

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

17. AMOUNT DUE TO A RELATED COMPANY

The advance from Oriental Harbour is unsecured, non-interest bearing and is repayable on demand.

18. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Secured bank loans	11,346	12,412	-	-
Unsecured bank overdraft	21	192	-	192
	11,367	12,604	-	192
The bank borrowings are repayable as follows:				
Within one year	1,101	1,260	-	192
Between one and two years	1,121	1,103	-	-
Between two and five years	3,628	3,532	-	-
Over five years	5,517	6,709	-	-
	11,367	12,604	-	192
Less: Amount due within one year shown under current liabilities	(1,101)	(1,260)	-	(192)
Amount due after one year	10,266	11,344	-	-

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

19. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	1,600,000,000	160,000
<i>Issued and fully paid:</i>		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	959,853,750	95,985

20. RESERVES

	Share premium account HK\$'000	Other property revaluation reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 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)
Net loss for the year	-	-	(18,777)	(18,777)
At 31st March, 2005	90,660	-	(197,795)	(107,135)

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, 2005 and 31st March, 2004, the Company did not have any distributable reserves.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

21. DISPOSAL OF A SUBSIDIARY

The Group disposed of its Food operations during the year ended 31st March, 2004. The net asset of the operation at the date of disposal were as follows:

	2004 HK\$'000
Net assets disposed of:	
Property, plant and equipment	1,936
Inventories	419
Trade and other receivables	1,664
Bank balances and cash	2,597
Trade and other payables	(6,104)
Minority interests	(230)
	<hr/>
	282
Other non-distributable reserve realised	(125)
Loss on disposal	(63)
	<hr/>
	94
	<hr/>

Satisfied by:

Cash consideration received	94
	<hr/>

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

	2004 HK\$'000
Cash consideration received	94
Bank balances and cash disposed of	(2,597)
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Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(2,503)
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Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

21. DISPOSAL OF A SUBSIDIARY (Continued)

The subsidiary 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.

22. 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 HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 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 and 31st March, 2005	-	-	-

At 31st March, 2005, the Group and the Company has unused tax losses of approximately HK\$12,752,000 (2004: HK\$15,997,000) and HK\$12,690,000 (2004: HK\$15,997,000), respectively, available to offset against future profits. No deferred tax asset has been recognised in respect of such losses for the Group and the Company 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, 2005

23. 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 are analysed as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Investment properties	18,500	37,000
Other assets	56	54
	<u>18,556</u>	<u>37,054</u>

At the balance sheet date, the Group have also executed a deed of assignment over the rental proceeds, deposits and license fees from tenants arising from the lease of investment properties held by the Group to secure credit facilities granted to the Group.

The Company had no pledge of assets for both years.

24. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned by the Group during the year was approximately HK\$3,884,000 (2004: HK\$3,599,000). Significant leases are negotiated for a lease term of 1 to 3 years.

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

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within one year	3,083	2,239
In the second to fifth year inclusive	1,393	770
	<u>4,476</u>	<u>3,009</u>

The Company had no operating lease arrangements for both years.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

25. CONTINGENT LIABILITIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Corporate guarantees given to a bank in respect of banking facilities utilised by a subsidiary	11,346	12,597

26. 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 total cost charged to income statement of HK\$23,000 (2004: HK\$21,000) represents contributions payable to the scheme by the Group in respect of current accounting period.

27. RELATED PARTY TRANSACTION AND BALANCES

Orient Harbour 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 16 and notes 16 and 17.

Notes to the Financial Statements

ORIENT RESOURCES GROUP COMPANY LIMITED

For the year ended 31st March, 2005

28. POST BALANCE SHEET EVENTS

On 13th May, 2005, the Company has announced its proposed change of domicile, and capital reorganisation as follows:

- (a) change the domicile of the Company from the Cayman Islands to Bermuda by de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda;
- (b) consolidate 10 shares of the Company's ordinary shares of HK\$0.10 each into 1 consolidated share of HK\$1.00;
- (c) reduce the nominal value of each issued consolidated share from HK\$1.00 share to HK\$0.01; and
- (d) sub-divide each authorised but unissued consolidated share into 100 new shares.