

MANAGEMENT DISCUSSION AND ANALYSIS

To Our Shareholders

The fiscal year ended 31 March 2004 was a promising yet challenging year for Gorient. The Group has significantly strengthened its financial position after its restructuring in late 2002 and re-positioned itself as a growth company targeting at the lucrative automotive, communications and consumer electronics products industries in the Greater China region.

The Group's management has made tremendous efforts to strengthen its existing automotive components business, as well as consolidated its corporate-wide business model involving new businesses in the areas of automotive telematics technology and high-tech electronics components. The Company's activities are now structured into the following divisions:

Automotive Components
Automotive Telematics
Electronics Components

FINANCIAL RESULTS

Turnover of the Group for the year ended 31 March 2004 was HK\$29,738,000 representing a 159.7% increase as compared to that of the year 2003. The Group recorded a net loss attributable to shareholders of HK\$18,439,000 for the year ended 31 March 2004 as compared with a net gain of HK\$711,364,000 recorded for the year 2003.

DIVIDENDS

The Board does not recommend the payment of any dividend during the year.

FUND-RAISING ACTIVITIES

In the 3rd quarter of 2003 and 1st quarter of 2004, the Group successfully tapped the capital markets by raising approximately HK\$63m through the placing of new shares and convertible bonds (fully converted into equity within the year). Amongst the fund-raising transactions, CITIC International Assets Management Limited invested HK\$32.9m in the Group and is currently its second largest shareholder.

OPERATIONAL REVIEW

The Group has strategically developed two new business areas – Automotive Telematics and Electronics Components – which can potentially contribute to its future top and bottom line as the Group continually leverages on the core values of the respective subsidiaries and investments. However, since the Electronics Components division was only formed in June 2003 and the Automotive Telematics division in February 2004, the financial performances of these new businesses have not yet been reflected to much an extent during the year under review. Since the Group has entered into a number of fund-raising and acquisition transactions during the period, it had incurred administrative, consultancy and professional costs of HK\$2,909,000, thus resulted in a net consolidated loss.

Automotive Components

The Group's existing business, which is held through its subsidiary, Tianjin Guangying Automotive Mirror Company Limited ("Tianjin Guangying"), recorded steady turnover for the period. The Company continues to design, manufacture and distribute a range of customer-specified mirrors for automotive makers in China. The Company will continue to enhance its research and development resources and integrated manufacturing facilities in Tianjin Guangying in meeting the satisfaction of customers.

Automotive Telematics

With confidence in the fast growing private automotive market and logistical and transportation industries in the Pearl River Delta, the Group commenced its involvement in the Automotive Telematics industry by its acquisition of 50% interest in Intelligent Transport System Holdings Limited ("ITS") in February 2004 and 30% interest in Wide & Bright Limited in March 2004.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

ITS is one of the few leading developers and providers in Asia of a comprehensive and widely applicable telematics system for private and commercial road transport use. The Company designs, develops and markets its own products to end-users as well as solutions to transportation and logistics operators using proprietary technologies based on GPS and GSM platforms. As its single largest shareholder, the Group will continue to explore opportunities in Mainland China for deploying ITS's products and services. The Group's interest in ITS has not been consolidated into its accounts during the year.

Wide and Bright Limited is engaged in the distribution of the Maxwell brand of telematics products in Mainland China, which are developed by Shenzhen Maxwell Technology Limited ("Maxwell"). Maxwell provides vehicle drivers with complete navigation and audio/visual amenities, supported by officiated road maps of different regions of China.

Electronics Components

The Group established a new business of Electronics Components, through the formation of research and development capabilities and a sales and purchasing network. The division designs and develops proprietary integrated circuit solutions that enable display applications in a broad range of products covering the telecommunications and consumer electronics industries. Known as Embedded System Services, the division provides complete turnkey layer adoption solutions to OEM and ODM product manufacturing customers. The services primarily involve value-added embedded software and communication protocol design, integration and printed circuit board layouts.

Since the formation of its Electronics Components business in June 2003, the division has contributed to 68.6% of the Group's turnover and itself generated HK\$805,000 to the consolidated net profit (before provisions against advance payments to suppliers).

OTHER INVESTMENTS

In an effort to strengthen the Group's asset base after its restructuring, it acquired 0.05% interest in Bangkok Mass Transit System Public Company Limited, a public company incorporated in Thailand engaged in the operation of an elevated mass transit railway in Bangkok, in 2003 through the issuance of new shares.

During the year, the Group has also made investments in Hong Kong-listed securities and the net income from investment in these securities was HK\$543,000.

STRATEGIES FOR ACQUISITIONS

Given the Group has now formulated a revamped business plan involving Automobile and Electronics related businesses, it will continue to seek suitable investments in the same areas provided that the new investments could achieve the following strategic objectives:

- provide long-term financial contribution to the Group
- provide synergistic values to other businesses of the Group
- add value to group-wide competencies
- align with the Group's macro vision in terms of geographical markets and industries

LIQUIDITY AND FINANCIAL RESOURCES

As at the year-end date, the Group had non-current assets of approximately HK\$38,783,000, mainly comprised of investments in associates; and current assets of approximately HK\$39,312,000, comprised of deposits paid for inventories, listed investments and cash. The Group's gearing ratio was 3.2%, calculated on the basis of the Group's net borrowings (after deducting cash at bank balances) over shareholders' fund.

PLEDGE OF ASSETS

As at 31 March 2004, the Group has not pledged any kind of assets.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EMPLOYEES

As at 31 March 2004, the Group had 12 employees in Hong Kong and 77 employees in the People's Republic of China (the "PRC"). The employees in the PRC were remunerated on a daily contractual basis, taking into account the composition of pay and the general market conditions. The remuneration policies are subject to review by the Directors of the Group.

FUTURE PROSPECTS

After the Group was restructured in late 2002 and the weak global and local economic conditions in the first half of 2003, it has now developed a solid financial foundation for future growth. The Group has embarked on a new business platform to develop a strategic business model.

The Group's new mission to become an innovative provider of high-tech automotive accessories and electronics components. The management is committed to create both customer and shareholder value – and growth is the primary means to those twin goals. With our expertise, innovation and passion, the Group is positioned as a growth company in terms of its financial strength and products and services offerings.

The Group will continue to invest in markets where there is tremendous growth potential in the consumption of automotive, telecommunications and consumer electronics products.

As a growth organisation, the Group's strategy rested upon is platform of people-driven competencies rather than of capital-intensive resources, where emphasis is placed on design and applications talent needed to develop leading edge products.

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Deputy Chairman and Managing Director