

CO-WINNER ENTERPRISE LIMITED

匯盛實業有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code: 8108)

First Quarterly Report 2005

Quarterly ended
31st March 2005

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “GEM”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange of Hong Kong Limited (the “the Stock Exchange”). Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

The Stock Exchange takes no responsibility for the contents of this report makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Co-winner Enterprise Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to Co-winner Enterprise Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The Board of Directors (the “Board”) of Co-winner Enterprise Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months ended 31 March 2005

		For the three months ended 31 March	
		2005	2004
	Notes	HK\$'000	HK\$'000
Turnover	2	1,227	–
Cost of sales		<u>(1,148)</u>	<u>–</u>
Gross profit		79	–
Other revenue		–	20
Distribution costs		–	–
Administrative expenses		(1,367)	(789)
Other operating expenses		<u>(275)</u>	<u>(171)</u>
Loss from operations		(1,563)	(940)
Finance costs		(1)	(1)
Gain on disposal of partial interest in associate		–	135
Share of results of associates		<u>–</u>	<u>(92)</u>
Loss before taxation		(1,564)	(898)
Taxation	3	<u>–</u>	<u>–</u>
Net loss for the period		<u><u>(1,564)</u></u>	<u><u>(898)</u></u>
Dividend	4	<u>–</u>	<u>–</u>
Loss per share – basic	5	<u><u>(0.019)</u></u>	<u><u>(0.017)</u></u>

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group’s results of operations and financial position.

The principal accounting policies and methods of computation used in the preparation of the first quarterly financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2004.

2. Turnover

During the period under review, the Group’s turnover represents the income received from the provision of telephone sets subcontracting services and is mainly derived from the People’s Republic of China (the “PRC”). (three months ended 31 March 2004: Nil)

3. Taxation

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits for the three months ended 31 March 2005 (three months ended 31 March 2004: Nil).

No provision for the company’s PRC subsidiary tax had been made because it did not derive any assessable profit during the current and prior corresponding period.

Deferred tax had not been provided as there were no significant timing differences at the period-end date (2004: Nil).

4. Dividend

No dividends have been paid or declared by the Company for the three months ended 31 March 2005 (three months ended 31 March 2004: nil).

5. Loss per share

The calculation of the basic loss per share is based on the Group’s net loss for the three months ended 31 March 2005 of approximately HK\$1,564,000 (three months ended 31 March 2004: net loss of HK\$898,000), and the weighted average of 82,915,000 ordinary shares (three months ended 31 March 2004: 54,000,000 ordinary shares) in issue during the three months ended 31 March 2005 after adjusting for the effects of the share consolidation on 10 January 2005. The basic loss per share for the three months ended 31 March 2004 had been adjusted accordingly.

Diluted loss per share for the three months ended 31 March 2005 and 2004 have not been provided as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

6. Movement in reserves

Movements in reserves of the Group during the three months ended 31 March 2005 and 2004 were as follows:

	Share Premium	Contributed Surplus	Accumulated Losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2004	22,859	36,527	(65,673)	(6,287)
Net loss for the three months ended 31 March 2004	—	—	(898)	(898)
At 31 March 2004	<u>22,859</u>	<u>36,527</u>	<u>(66,571)</u>	<u>(7,185)</u>
At 1 January 2005	22,859	36,527	(79,696)	(20,310)
Capital Reduction	—	—	23,099	23,099
Open Offer	2,961	—	—	2,961
Net loss for the three months ended 31 March 2005	—	—	(1,564)	(1,564)
At 31 March 2005	<u>25,820</u>	<u>36,527</u>	<u>(58,161)</u>	<u>4,186</u>

7. Segmental information

During the period under review, the Group is mainly engaged in the provision of telephone sets subcontracting services and all its turnover, results, assets and capital expenditures are derived from operations carried out in the PRC. Hence, no segmental information is presented in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Financial and Business Review

For the three months ended 31 March 2005, the Group's turnover amounted to approximately HK\$1,227,000 (three months ended 31 March 2004: Nil) while the net loss attributable to the shareholders amounted to approximately HK\$1,564,000 (three months ended 31 March 2004: net loss of HK\$898,000). The improvement in turnover was mainly the result of the introduction of the phone sets subcontracting business in the PRC and the increase in net loss was mainly attributable to the restructuring activities implemented by the Group.

Owing to the unfavourable market sentiments prevailing in the information technology market, operations in that specific area were temporarily ceased during the period under review. The introduction of telephone sets subcontracting services has broadened the revenue base of the Group and diversified the Group's investment. Hence, relatively steady revenue inflow has been generated though time is needed to bring such new operations in harmonious conformity with the Group's existing investments.

PROSPECTS

The Board is actively exploring ways to diversify its investments and broaden its revenue base. Given the strong economic rebound in Hong Kong during early 2005, the Group would keep on its cautious and prudent approach in evaluating any new investment opportunities.

Having its business operations widened to incorporate new activities, the management would focus on fine-tuning its existing operations and strive for the long term returns for the Company and our shareholders.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the three months ended 31 March 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the New Share Option Scheme, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

As at 31 March 2005, none of the Directors or chief executive of the Company held any share options.

INTEREST DISCLOSURE AS PER REGISTERS KEPT PURSUANT TO THE SECURITIES FUTURES ORDINANCE ("THE SFO")

(a) Directors' and chief executives interests and short positions in shares, underlying shares and debentures

As at 31 March 2005, none of the directors or the chief executives of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

(b) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 March 2005, other than a Director or chief executive of the Company, the following persons had interests or short position in the Shares or underlying Shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares

Name	Nature and Capacity of interest	Number of shares held	Approximate percentage of interest <i>(Note 1)</i>
True Allied Assets Limited	Beneficial owner	21,860,000	18.46%
Favourite Success Trading Limited <i>(Note 2)</i>	Beneficial owner	10,450,000	8.82%
Ms. HUANG Ye-hua <i>(Note 3)</i>	Interest of controlled Corporation	21,860,000	18.46%
Ms. WU Lee-man <i>(Note 3)</i>	Interest of controlled Corporation	21,860,000	18.46%
Mr. LEUNG Shu-keung <i>(Note 3)</i>	Interest of controlled Corporation	21,860,000	18.46%
Mr. WEI Xi-ping <i>(Note 4)</i>	Interest of controlled Corporation	10,450,000	8.82%

Note:

- (1) The percentage is calculated by dividing the number of Shares interested or deemed to be interested by the existing 118,450,000 issued shares as at 31 March 2005.
- (2) Favourite Success Trading Limited has disposed of 5,225,000 shares (4.41%) of the Company on 26 April 2005.
- (3) Ms. HUANG Ye-hua, Ms. WU Lee-man and Mr. LEUNG Shu-keung are interested by virtue of their beneficial interest in True Allied Assets Limited.
- (4) Mr. WEI Xi-ping is interested by virtue of his beneficial interest in Favourite Success Trading Limited.

Save as disclosed above, as at the 31 March 2005, other than a director or chief executive of the Company, no persons had interests or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

CHANGE OF COMPANY NAME

The name of the Company is changed from “Grandmass Enterprise Solution Limited” to “Co-winner Enterprise Limited” with effect from 10 January 2005. The stock short name of the Company under which the shares are traded on the Stock Exchange is changed to “CO-WINNER” with effect from 28 February 2005.

CAPITAL REORGANISATION

On 10 January 2005, every forty (40) issued shares in the Company are consolidated into one (1) consolidated share. The nominal value of each issued consolidated share was then reduced from HK\$0.40 each to HK\$0.01 each by way of a reduction of capital pursuant to the Companies Act of Bermuda. Accordingly, the issued share capital of the Company was reduced from an amount of HK\$23,690,000 to HK\$592,250 represented by 59,225,000 consolidated shares.

OPEN OFFER

59,225,000 new shares of the Company had been issued under the Open Offer on 24 February 2005, proceeds of approximately HK\$3.55 million was being raised as working capital. As at 31 March 2005, the total issued share capital of the Company after the Open Offer are 118,450,000 shares.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45, if relevant, of the GEM Listing Rules throughout the three months ended 31 March 2005.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

CHANGE IN DIRECTORSHIP

The following changes occurred during the period under review and up to the date of this announcement:

1. Ms. KWONG Wai-man, Karina has been re-designated from executive director to non-executive director and resigned as compliance officer of the Company with effect from 15 February 2005;

2. Mr. TAI Chi-ching has been appointed as executive director, compliance officer and authorized representative of the Company with effect from 16 February 2005;
3. Mr. NG Ming-wah has resigned as non-executive director of the Company with effect from 8 March 2005; and
4. Mr. TSE Wai-kwok, Raymond has been appointed as executive director of the Company with effect from 1 April 2005.

CHANGE IN AUDITOR

Messrs. HLB Hodgson Impey Cheng and Messrs. Cheung & Siu (“HLBCS”) were appointed as joint auditors of the Company in a special general meeting held on 21 March 2005, to fill the vacancy created by the resignation of RSM Nelson Wheeler. HLBCS were retired and re-appointed as joint auditors of the Company at the annual general meeting on 29 April 2005 and to hold office until the conclusion of the next annual general meeting of the Company.

AUDIT COMMITTEE

The Company has established an audit committee in July 2000 with its written terms of reference being in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. As at 31 March 2005, the audit committee comprised three members, namely Ms. MA Lee, Mr. CHEN Pei and Mr. PENG Feng, being independent non-executive directors of the Company.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. During the three months ended 31 March 2005, the audit committee has reviewed the Group’s quarterly report, financial statements and providing advice and recommendations to the Board. After the review of the financial statements, the members of the audit committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure had been made.

By Order of the Board
Co-winner Enterprise Limited
TAI Chi-ching
Executive Director

As at the date of this report, the board of directors of the Company comprises of Mr. TAI Chi-ching, Mr. ZHAO Ming and Mr. TSE Wai-kwok, Raymond as executive directors, Ms. KWONG Wai-man, Karina as non-executive director, and Mr. CHEN Pei, Ms. MA Lee and Mr. PENG Feng as independent non-executive directors.

Hong Kong, 11 May 2005