



GORIENT
Gorient (Holdings) Limited

▶ *Incorporated in Bermuda with limited liability*

Interim Report 2003 / 2004

The Board of Directors of Gorient (Holdings) Limited (“the Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2003 together with its comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	6 months ended 30.9.2003 HK\$'000	6 months ended 30.9.2002 HK\$'000
Turnover	2	16,660	6,531
Cost of sales		(14,167)	(4,294)
Gross profit		2,493	2,237
Other revenue		–	62
Distribution costs		(66)	–
Administrative expenses		(4,040)	(10,354)
Loss from operations	3	(1,613)	(8,055)
Finance costs	4	(289)	–
Gain on disposal of a subsidiary		–	484
Impairment loss on long term investments		–	(81)
Cash and bank balances recovered		–	1,043
Additional claims		–	(16,202)
Loss before taxation		(1,902)	(22,811)
Taxation	5	(28)	–
Loss after taxation		(1,930)	(22,811)
Minority interests		(93)	3,229
Net loss for the period		<u>(2,023)</u>	<u>(19,582)</u>
Loss per Share – Basic (cents)	6	(0.03)	(67.64)

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30.9.2003 <i>HK\$'000</i>	(Audited) 31.3.2003 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non current assets			
Property, plant and equipment	8	2,253	1,863
Intangible assets	9	425	450
		<u>2,678</u>	<u>2,313</u>
Current assets			
Inventories		1,068	261
Trade and other receivables	10	16,408	3,210
Cash at banks and in hand		3,644	5,446
		<u>21,120</u>	<u>8,917</u>
Current liabilities			
Short term loans		10,850	–
Due to related companies		–	1,425
Trade and other payables	11	5,905	7,272
Provision for tax		–	1
		<u>16,755</u>	<u>8,698</u>
Net current assets		<u>4,365</u>	<u>219</u>
Total assets less current liabilities		7,043	2,532
Non-current liabilities			
Shareholder's loan		–	(2,259)
Minority interests		<u>(1,218)</u>	<u>(1,125)</u>
Net liabilities		<u>5,825</u>	<u>(852)</u>
CAPITAL AND RESERVES			
Share capital		80,115	73,290
Reserves		<u>(74,290)</u>	<u>(74,142)</u>
		<u>5,825</u>	<u>(852)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY**

	Issued Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Enterprises development reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	73,290	–	201	1,868	803	(77,014)	(852)
Issue of Shares	6,825	1,875	–	–	–	–	8,700
Loss for the period	–	–	–	–	–	(2,023)	(2,023)
At 30 September 2003	<u>80,115</u>	<u>1,875</u>	<u>201</u>	<u>1,868</u>	<u>803</u>	<u>(79,037)</u>	<u>5,825</u>
At 1 April 2002	57,904	445,895	(453)	1,868	803	(1,291,887)	(843,774)
Loss for the period	–	–	–	–	–	(19,582)	(19,582)
At 30 September 2002	<u>57,904</u>	<u>445,895</u>	<u>(453)</u>	<u>1,868</u>	<u>803</u>	<u>(1,311,469)</u>	<u>(863,356)</u>

During the six months ended 30 September 2003, 312,500,000 ordinary shares of HK\$0.01 each in the share capital of the Company (the “Share(s)”) were issued at HK\$0.016 each upon conversion of the convertible bond and 370,000,000 Shares were issued at HK\$0.01 each upon the exercise of unlisted warrants.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30.9.2003 <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(18,408)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(685)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>17,291</u>
DECREASE IN CASH OR CASH EQUIVALENTS	(1,802)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>5,446</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>3,644</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual report for the year ended 31 March 2003, except as described below:

In the current period, the Group has adopted SSAP 12 (revised) “Income Taxes” issued by the HKSA, which is effective for the accounting period commenced on or after 1 January 2003. The SSAP 12 (revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant differences to the extent it was probable that the liability would crystallise in the foreseeable future. A deferred tax asset was not recognised until its realisation was assured beyond reasonable doubt. SSAP 12 (revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exception. Deferred tax assets are not recognised unless it is probable that future taxable profit will be available against which the temporary difference can be utilized. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (revised) has had no material effect on the results for the current or prior periods. Accordingly no prior period adjustments is required.

In Interim Report 2002-2003, as no information has available for the preparation of the unaudited condensed consolidated cash flow statement for the six months ended 30 September 2002. This interim financial statements do not contain comparative cashflow statement for the six months ended 30 September 2002 as required by SSAP 25.

2. SEGMENT INFORMATION

Turnover represents total net invoiced value of goods supplied to customers outside the Group.

The analysis of the Group's turnover and contributions to loss from operations for the six months ended 30 September 2003 by principal activities and geographical markets are as follows:

	Turnover		Contribution to loss from operations	
	(Unaudited) 6 months ended 30.9.2003 HK\$'000	(Unaudited) 6 months ended 30.9.2002 HK\$'000	(Unaudited) 6 months ended 30.9.2003 HK\$'000	(Unaudited) 6 months ended 30.9.2002 HK\$'000
By principal activities				
Design, manufacture and distribution of:				
Automotive components	5,227	6,531	186	(8,055)
Communications electronics components	11,433	–	1,027	–
	<u>16,660</u>	<u>6,531</u>	<u>1,213</u>	<u>(8,055)</u>
Unallocated corporate expenses			(2,826)	–
Loss from operations			<u>(1,613)</u>	<u>(8,055)</u>
By geographical markets				
China	5,227	6,531	186	(8,055)
Hong Kong	11,433	–	1,027	–
	<u>16,660</u>	<u>6,531</u>	<u>1,213</u>	<u>(8,055)</u>
Unallocated corporate expenses			(2,826)	–
Loss from operations			<u>(1,613)</u>	<u>(8,055)</u>

3. LOSS FROM OPERATIONS

	(Unaudited)	(Unaudited)
	6 months	6 months
	ended	ended
	30.9.2003	30.9.2002
	HK\$'000	HK\$'000
Loss from operations is arrived at after charging:		
Amortisation of intangible assets	25	–
Depreciation on property, plant and equipment – owned assets	295	519
Receivers' remuneration	–	3,151

4. FINANCE COST

Interest on short term loans repayable within one year.

5. TAXATION

The charge of HK\$28,000 (2002: Nil) comprises taxation outside Hong Kong and have been calculated at the rate of taxation prevailing in the countries in which the Group operates, based on existing law, practice and interpretation thereof.

No provision for Hong Kong profits tax has been provided as the Group did not derive any assessable profit for the period ended 30 September 2003 (2002: Nil).

No deferred assets has been recognised due to the uncertainty of future profit streams.

6. LOSS PER SHARE

The basic loss per Share is calculated based on the loss attributable to shareholders of HK\$2,023,000 (2002: HK\$19,582,000) and on the weighted average of 7,442,701,979 Shares (2002: 28,951,980 Shares, adjusted to reflect the consolidation of 20 ordinary shares of HK\$0.0005 each into 1 Share on 20 December 2002) in issue during the six months period.

The computation of diluted loss per Share does not assume the exercise of the Company's potential Shares since their exercise would result in a reduction in loss per share.

7. DIVIDEND PER SHARE

The Board of Directors does not recommend the payment of an interim dividend for the period (2002: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$685,000 (31.3.2003: HK\$441,000) on property, plant and equipment and no disposal has been made (31.3.2003: Net book value of HK\$19,911,000).

9. INTANGIBLE ASSETS

	(Unaudited)	(Audited)
	As at	As at
	30.9.2003	31.3.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hive-down assets, at cost	450	500
Less: Accumulated amortisation	(25)	(50)
	<u>425</u>	<u>450</u>

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK\$7,462,000 (31.3.2003: HK\$2,249,000) and their aged analysis is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30.9.2003	31.3.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	7,462	1,609
4 to 6 months	-	-
Over 6 months	-	640
	<u>7,462</u>	<u>2,249</u>

The normal credit period granted to trade debtors is 30 to 90 days.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$3,977,000 (31.3.2003: HK\$3,275,000) and their aged analysis is as follow:

	(Unaudited) As at 30.9.2003 (HK\$'000)	(Audited) As at 31.3.2003 (HK\$'000)
Within 3 months	3,977	3,275
4 to 6 months	-	-
Over 6 months	-	-
	<u>3,977</u>	<u>3,275</u>

The normal credit period granted by trade creditors is 30 to 90 days.

12. RELATED PARTY TRANSACTIONS

During the period, the Group purchased motor vehicles, furniture and fixtures in the sum of HK\$450,000 from the related companies in which certain Directors have interest.

13. CONTINGENT LIABILITIES

As at 30 September 2003, the Group did not have any significant contingent liabilities.

14. SUBSEQUENT EVENTS

- (1) On 29 September 2003, the Group entered into a conditional sale and purchase agreement with the vendor, Mr. Edmund Hong Yin Wan to acquire his 600,000 shares in Bangkok Mass Transit System Public Company Limited at a consideration of HK\$1,680,000 and will be satisfied by the allotment and issue to the vendor of a total of 56,000,000 new Shares at the issue price of HK\$0.03 each. The acquisition was completed on 30 October 2003.
- (2) On 2 December 2003, the placing agent, Kingsway Financial Services Group Limited has agreed to place, on a full underwritten basis, 1,200,000,000 existing Shares at a price of HK\$0.02 per Share (the "Placing") on behalf of the substantial shareholder, Power Assets Enterprises Limited ("Power Assets") and Power Assets entered into a conditional agreement with the Company for the subscription of 1,200,000,000 new Shares at a subscription price of HK\$0.02 per Share (the "Subscription"). The Placing was completed on 3 December 2003 and the Subscription was completed on 16 December 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover of the Group for the six months ended 30 September 2003 was HK\$16,660,000 representing a 155% increase over the same period of last year. The Group recorded a net loss for the period of HK\$2,023,000, a decrease of 90% as compared with a net loss of HK\$19,582,000 recorded for the same period of last year.

During the period under review, the Group maintained a stable operating environment after its major restructuring being completed in December 2002. The Group managed to develop a satisfactory flow of business activities under a difficult period for the global and local economies, with the negative impacts from the US-Iraq war and outbreak of SARS.

The Group continued to derive steady income from its automotive component manufacturing subsidiary, Tianjin Guangying Automotive Mirror Company Limited. The Group also recorded a significant increase in trading income as well as broadened its electronics product range from automotive components to including communications components, primarily involved semiconductors. The Group's high administrative expenses and as a result a net loss for the period were primarily due to the development of a sales and marketing team as well as research and development capabilities for meeting its growing trading activities.

The Group's trading division, which generated a turnover of HK\$11,433,000 and unconsolidated profit of HK\$911,000, has provided value-added embedded software and communication protocol design and integration services to communications and consumer electronics product makers, including OEM and ODM manufacturers in Hong Kong and the mainland. The management expects to continue developing advanced technical expertise and long-term know-how in becoming a quality electronic product and service provider to customers in the automotive, communications and consumer electronics industries.

LIQUIDITY AND FINANCING

The Group has strengthened its financial position with a shareholder's fund of HK\$5,825,000 as compared with a deficiency of HK\$852,000 recorded as at 31 March 2003. The Group's net current asset was HK\$4,365,000, an increase of 1,893% as compared with the value recorded as at 31 March 2003.

As at 30 September 2003, the Group's gearing ratio is 0.70 (31.3.2003: 0.98), calculated on the basis of the Group's total liabilities fixed interest over total assets. The Group's major debt is interest bearing short term loans repayable within one year.

The Group's transactions were mainly denominated in Hong Kong dollars and Reminbi. Given that the exchange rate of Hong Kong dollars against the Reminbi has been and is likely to remain stable, the Directors consider that the Group's risk on foreign exchange will remain minimal. As at 30 September 2003, the Group had no significant exposure under foreign exchange contracts, interest or currency swap or other financial derivatives.

As at 30 September 2003, the Group has not pledged any kind of assets.

USE OF PROCEEDS

The net proceeds from the issue of convertible bond in August 2003 have been used by the Group as working capital for its business of trading and distribution of antennas and other electronic components.

PROSPECT

With the strong macro fundamentals of China's economy and recovery of Hong Kong's economy, the Group is confident about its business performance for the remaining of this fiscal year. With the capital raised from the placing of 1,200,000,000 new Shares on 16 December 2003, the Group's financial position is further strengthened for meeting its existing business of automotive and communications electronics products. Going forward, the management intends to invest in a cautious manner to enhance its technical capabilities and product distribution networks as well as seek investment opportunities which could provide strategic and operational synergies to the Group's core values.

Employment and Remuneration Policies

As at 30 September 2003, the Group had 18 employees in Hong Kong and 77 employees in the People's Republic of China. The employees were remunerated on a daily and monthly 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.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2003, the interests and short positions of the Directors and chief executive (and their associates) of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (as defined in the Securities and Futures Ordinance (“the SFO”)) as recorded in the register or required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies are as follows:

- (a) Long positions in the Shares and the underlying Shares (in respect of equity derivatives) of the Company:

Name of Director	Number of Shares held	% of issued share capital (Note 3)	Number of underlying Shares in respect of the options (Note 4)	Number of underlying Shares in respect of the Warrants
Gouw Hiap Kian (Note 1)	5,131,479,200	64.05	125,000,000	1,095,790,396
Gouw, Carl Kar Yiu (Note 2)	5,131,479,200	64.05	125,000,000	1,095,790,396
Gouw, Elizabeth San Bo (Note 2)	5,131,479,200	64.05	125,000,000	1,095,790,396
Ko Sai Kit, Larry	1,600,000	0.02	Nil	Nil

Notes:

- The Shares and the underlying Shares (in respect of equity derivatives) are held by Power Assets, a company incorporated in the British Virgin Islands, which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw Hiap Kian is the founder of this discretionary trust.
- The Shares and the underlying Shares (in respect of equity derivatives) are held by Power Assets which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw, Carl Kar Yiu and Ms. Gouw, Elizabeth San Bo have interests.
- The approximate shareholding percentages are calculated on the assumptions that none of the outstanding options under Note 4 or outstanding Warrants are being exercised.
- The options were granted to Power Assets. Pursuant to the terms of the options, Power Assets has the right to take the underlying Shares from the grantor. The options are exercisable at HK\$0.015 per share from 19 March 2003 to 18 March 2005.

- (b) Short positions in the Shares and the underlying Shares (in respect of equity derivatives) of the Company:

Name of Director	Number of underlying Shares in respect of the options (Note 1)
Gouw Hiap Kian (Note 2)	700,000,000
Gouw, Carl Kar Yiu (Note 3)	700,000,000
Gouw, Elizabeth San Bo (Note 3)	700,000,000

Notes:

1. The options were granted by Power Assets which is wholly-owned by Gouw Family Trust, in which Mr. Gouw, Carl Kar Yiu and Ms. Gouw, Elizabeth San Bo have interests. Pursuant to the terms of the options, the grantees have the right to require Power Assets to deliver the underlying Shares. The options are exercisable at HK\$0.012 per share from 20 March 2003 to 19 March 2006.
2. The options are held by Power Assets which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw Hiap Kian is the founder of this discretionary trust.
3. The options are held by Power Assets which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw, Carl Kar Yiu and Ms. Gouw, Elizabeth San Bo have interests.

Save as disclosed above, as at 30 September 2003, none of the Directors of the Company or their respective associates, had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in the SFO).

Save as disclosed above, at no time during the six months ended 30 September 2003 has the Company and any of its subsidiaries, a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, so far as known to the Directors, the following persons who had interests and short positions in the Shares, underlying Shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

- (a) Long Positions in the Shares and the underlying Shares (in respect of equity derivatives) of the Company:

Name of shareholder	Number of Shares held	% of issued Share capital (Note 4)	Number of underlying Shares in respect of the options (Note 5)	Number of underlying Shares in respect of the Warrants
Power Assets (Note 1)	5,131,479,200	64.05	125,000,000	1,095,790,396
Gouw Hiap Kian (Note 2)	5,131,479,200	64.05	125,000,000	1,095,790,396
Gouw, Carl Kar Yiu (Note 3)	5,131,479,200	64.05	125,000,000	1,095,790,396
Gouw, Elizabeth San Bo (Note 3)	5,131,479,200	64.05	125,000,000	1,095,790,396

Notes:

- Power Assets is a company incorporated in the British Virgin Islands, which is wholly-owned by Gouw Family Trust, in which Mr. Gouw, Carl Kar Yiu and Ms. Gouw, Elizabeth San Bo have interests.
- The Shares and the underlying Shares (in respect of equity derivatives) are held by Power Assets which is wholly-owned by Gouw Family Trust, in which Mr. Gouw Hiap Kian is the founder of this discretionary trust.
- The Shares and the underlying Shares (in respect of equity derivatives) are held by Power Assets which is wholly-owned by Gouw Family Trust, in which Mr. Gouw, Carl Kar Yiu and Ms. Gouw, Elizabeth San Bo have interests.
- The approximate shareholding percentages are calculated on the assumptions that none of the outstanding options under Note 5 or outstanding Warrants are being exercised.
- The options were granted to Power Assets. Pursuant to the terms of the options, Power Assets has the right to take the underlying Shares from the grantor. The options are exercisable at HK\$0.015 per share from 19 March 2003 to 18 March 2005.

- (b) Short Positions in the Shares and the underlying Shares (in respect of equity derivatives) of the Company:

Name of Shareholder	Number of underlying Shares in respect of the options (Note 1)
Power Assets (Note 2)	700,000,000
Gouw Hiap Kian (Note 3)	700,000,000
Gouw, Carl Kar Yiu (Note 4)	700,000,000
Gouw, Elizabeth San Bo (Note 4)	700,000,000

Notes:

1. The options were granted by Power Assets. Pursuant to the terms of the options, the grantee has the right to require Power Assets to deliver the underlying Shares. The options are exercisable at HK\$0.012 per share from 20 March 2003 to 19 March 2006.
2. Power Assets is a company incorporated in the British Virgin Islands, which is wholly-owned by Gouw Family Trust, in which Mr. Gouw, Carl Kar Yiu and Ms. Gouw, Elizabeth San Bo have interests.
3. The options are held by Power Assets which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw Hiap Kian is the founder of this discretionary trust.
4. The options are held by Power Assets which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw, Carl Kar Yiu and Ms. Gouw, Elizabeth San Bo have interests.

Save as disclosed above, the Directors were not aware of any persons who had any interests or short position in the Shares, underlying Shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited financial reporting of the Group for the current period.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange except that non-executive Directors are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

By Order of the Board

GOUW, Carl Kar Yiu

Deputy Chairman and Managing Director

Hong Kong
29 December 2003