



**G**ORIENT  
Gorient (Holdings) Limited

▶ *Incorporated in Bermuda with limited liability*

*Interim Report 2003 / 2004*

The Board of Directors (the “Board”) of Gorient (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004. The interim results have not been audited, but have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Six months ended</b>	
		<b>30.9.2004</b>	30.9.2003
		<b>(unaudited)</b>	(unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>8,750</b>	16,660
Cost of sales		<b>(8,334)</b>	(14,167)
		<hr/>	<hr/>
Gross profit		<b>416</b>	2,493
Other revenue		<b>4</b>	–
Distribution costs		–	(66)
Administrative expenses		<b>(18,710)</b>	(4,040)
		<hr/>	<hr/>
Loss from operations	3	<b>(18,290)</b>	(1,613)
Finance costs	4	<b>(431)</b>	(289)
Net loss from investment in listed securities		<b>(787)</b>	–
Unrealised holding losses		<b>(210)</b>	–
Amortisation of goodwill on acquisition of associates		<b>(780)</b>	–
Share of results of associates		<b>(389)</b>	–
		<hr/>	<hr/>
Loss before taxation		<b>(20,887)</b>	(1,902)
Taxation	5	–	(28)
		<hr/>	<hr/>
Loss after taxation		<b>(20,887)</b>	(1,930)
Minority interests		<b>1,361</b>	(93)
		<hr/>	<hr/>
Net loss for the period		<b>(19,526)</b>	(2,023)
		<hr/> <hr/>	<hr/> <hr/>
Loss per Share	6	<b>HK\$</b>	<b>HK\$</b>
– Basic		<b>(0.015)</b>	(0.003)
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		<b>N/A</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30.9.2004</b>	31.3.2004
		<b>(unaudited)</b>	(audited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>6,029</b>	3,508
Interests in associates	9	<b>33,363</b>	32,782
Intangible assets		<b>375</b>	400
Investment in securities		<b>2,093</b>	2,093
		<b>41,860</b>	38,783
<b>Current assets</b>			
Inventories		<b>16,490</b>	749
Due from related companies		<b>913</b>	937
Trade and other receivables	10	<b>6,412</b>	25,749
Other investments, listed		<b>5,676</b>	7,811
Other investments, unlisted		<b>1,889</b>	–
Cash and bank balances		<b>2,077</b>	4,066
		<b>33,457</b>	39,312
<b>Current liabilities</b>			
Convertible bonds	11	<b>16,000</b>	–
Other loan		–	4,500
Trade and other payables	12	<b>943</b>	6,230
Finance lease obligation – current portion		<b>376</b>	376
		<b>17,319</b>	11,106
<b>Net current assets</b>		<b>16,138</b>	28,206
<b>Total assets less current liabilities</b>		<b>57,998</b>	66,989
<b>Non-current liability</b>			
Finance lease obligation – long term portion		<b>1,065</b>	1,253
		<b>56,933</b>	65,736
<b>Minority interests</b>			
		–	1,361
<b>Net assets</b>		<b>56,933</b>	64,375
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>14,130</b>	125,813
Reserves		<b>42,803</b>	(61,438)
		<b>56,933</b>	64,375

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Unaudited							Total
	Issued share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed Surplus <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>	
At 1.4.2004	125,813	31,109	-	235	1,868	803	(95,453)	64,375
Capital reduction	(120,915)	-	120,915	-	-	-	-	-
Share premium reduction	-	(32,184)	32,184	-	-	-	-	-
Loss elimination	-	-	(94,415)	-	-	-	94,415	-
Issue of Shares	9,232	2,852	-	-	-	-	-	12,084
Loss for the period	-	-	-	-	-	-	(19,526)	(19,526)
At 30.9.2004	<u>14,130</u>	<u>1,777</u>	<u>58,684</u>	<u>235</u>	<u>1,868</u>	<u>803</u>	<u>(20,564)</u>	<u>56,933</u>
At 1.4.2003	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 30.9.2003	<u>80,115</u>	<u>1,875</u>	<u>-</u>	<u>201</u>	<u>1,868</u>	<u>803</u>	<u>(79,037)</u>	<u>5,825</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net Cash Outflow from Operating Activities	<b>(19,168)</b>	(18,408)
Net Cash Outflow from Investing Activities	<b>(6,198)</b>	(685)
Net Cash Inflow from Financing Activities	<b>23,377</b>	17,291
Decrease in Cash and Cash Equivalents	<b>(1,989)</b>	(1,802)
Cash and Cash Equivalents, Beginning of Period	<b>4,066</b>	5,446
Cash and Cash Equivalents, End of Period	<b>2,077</b>	3,644

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 for the preparation of the condensed consolidated interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2004.

### 2. SEGMENTAL 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 2004 by principal activities and geographical markets are as follows:

	<b>Turnover</b>		<b>Contributions to loss from operations</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003	<b>30.9.2004</b>	30.9.2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
<b>By principal activities</b>				
Distribution of communications electronics components	<b>8,000</b>	11,433	<b>(167)</b>	1,027
Design and manufacture of automotive components	<b>750</b>	5,227	<b>(2,737)</b>	186
	<b><u>8,750</u></b>	<u>16,660</u>	<b><u>(2,904)</u></b>	<u>1,213</u>
Unallocated Group expenses			<b><u>(15,386)</u></b>	<u>(2,826)</u>
Loss from operations			<b><u>(18,290)</u></b>	<u>(1,613)</u>
<b>By geographical markets</b>				
Hong Kong	<b>8,000</b>	11,433	<b>(167)</b>	1,027
China	<b>750</b>	5,227	<b>(2,737)</b>	186
	<b><u>8,750</u></b>	<u>16,660</u>	<b><u>(2,904)</u></b>	<u>1,213</u>
Unallocated Group expenses			<b><u>(15,386)</u></b>	<u>(2,826)</u>
Loss from operations			<b><u>(18,290)</u></b>	<u>(1,613)</u>

**3. LOSS FROM OPERATIONS**

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000

Loss from operations is arrived at after charging:

Amortisation of intangible assets	25	25
Depreciation on property, plant and equipment	722	295
Directors' remuneration	6,983	1,863
Provision for doubtful debts	749	–

**4. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30.9.2004</b>	30.9.2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000

Interest on short term borrowings wholly repayable:

– within one year	412	289
Interest on finance lease	19	–
	<u>431</u>	<u>289</u>

**5. TAXATION**

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 2004 (2003: Nil).

No provision for PRC income tax has been made as there were no assessable profits for the subsidiary operating in the PRC during the period (2003: HK\$28,000).

No deferred tax asset 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\$19,526,000 (2003: HK\$2,023,000) and on the weighted average of 1,318,224,010 Shares (2003: 744,270,198 Shares, adjusted to reflect the consolidation of 10 ordinary shares of HK\$0.01 each into 1 Share on 30 March 2004) 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 an anti-dilutive of loss per share.

**7. DIVIDENDS**

The Board of Directors does not recommend the payment of an interim dividend for the period (2003: Nil).

**8. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately HK\$4,694,000 (31.3.2004: HK\$2,611,000) on property, plant and equipment and also disposed of property, plant and equipment with aggregate net book value of approximately HK\$1,451,000 (31.3.2004: HK\$Nil).

**9. INTERESTS IN ASSOCIATES**

	As at <b>30.9.2004</b> (unaudited) <i>HK\$'000</i>	As at 31.3.2004 (audited) <i>HK\$'000</i>
Share of net assets	(3,341)	(2,952)
Unamortized goodwill on acquisition	26,814	27,594
Loans due from associates	9,890	8,140
	<u>33,363</u>	<u>32,782</u>

**10. TRADE AND OTHER RECEIVABLES**

Included in trade and other receivables of the Group are trade receivables of HK\$6,410,000 (31.3.2004: HK\$3,582,000) and their aged analysis is as follows:

	As at <b>30.9.2004</b> (unaudited) <i>HK\$'000</i>	As at 31.3.2004 (audited) <i>HK\$'000</i>
Within 3 months	6,410	1,787
4 to 6 months	–	170
Over 6 months	–	1,625
	<u>6,410</u>	<u>3,582</u>

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

**11. CONVERTIBLE BONDS**

On 20 April 2004, Convertible Bonds were issued in the principal amount of HK\$18,000,000. Holders of the Convertible Bonds are granted to subscribe for 100,000,000 shares at a subscription price of HK\$0.18 per share. During the period, HK\$2,000,000 Convertible Bonds had been converted into 11,111,111 shares.



**12. TRADE AND OTHER PAYABLES**

Included in trade and other payables of the Group are trade payables of HK\$Nil (31.3.2004: HK\$3,148,000) and their aged analysis is as follows:

	<b>As at 30.9.2004 (unaudited) HK\$'000</b>	<b>As at 31.3.2004 (audited) HK\$'000</b>
Within 3 months	<u>–</u>	<u>3,148</u>

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

**13. SHARE CAPITAL**

	<b>Number of shares</b>		<b>Total value</b>	
	<b>30.9.2004 (unaudited) '000</b>	<b>31.3.2004 (audited) '000</b>	<b>30.9.2004 (unaudited) HK\$'000</b>	<b>31.3.2004 (audited) HK\$'000</b>
Authorized:				
At the beginning of period/year				
Ordinary shares of HK\$0.10 each	<b>3,000,000</b>	10,000,000	<b>300,000</b>	100,000
Capital Reorganization (a)	<b>27,000,000</b>	(27,000,000)	–	–
Increase in authorized capital (b)	<b>20,000,000</b>	20,000,000	<b>200,000</b>	200,000
At the end of period/year				
Ordinary shares of HK\$0.01 each	<b>50,000,000</b>	3,000,000	<b>500,000</b>	300,000
Issued and fully paid:				
At the beginning of period/year				
Ordinary shares of HK\$0.10 each	<b>1,258,127</b>	7,328,952	<b>125,813</b>	73,290
Capital Reorganization (a)	–	(11,323,143)	<b>(120,915)</b>	–
Share issued on:				
– subscriptions of new shares	–	3,517,818	–	35,178
– exercise of share options (c)	<b>139,360</b>	–	<b>7,683</b>	–
– conversion of Convertible Bonds	<b>11,111</b>	312,500	<b>1,111</b>	3,125
– exercise of warrants (d)	<b>4,379</b>	1,422,000	<b>438</b>	14,220
At the end of period/year				
Ordinary shares of HK\$0.01 each	<b>1,412,977</b>	1,258,127	<b>14,130</b>	125,813

**(a) Capital Reorganization**

By the resolutions passed at the annual general meeting held on 23 August 2004, effective from 24 August 2004:

- (1) the nominal value of the Shares in issue was reduced from HK\$0.10 each to HK\$0.01 each by canceling the issued share capital to the extent of HK\$0.09 paid up on each of the issued Shares (“Capital Reduction”);
- (2) all the authorized but unissued share capital of the Company were cancelled and subsequently the authorized share capital was increased to the original authorized share capital of HK\$300,000,000 by the creation of such number of the New Shares taking into account the number of issued New Shares ranking pari passu with the existing shares of the Company;
- (3) credit arising from the Capital Reduction was entirely transferred to the contributed surplus account of the Company;
- (4) the entire amount standing to the credit of the share premium account of the Company as at 30 June 2004 was cancelled (“Share Premium Reduction”) and the credit arising from the Share Premium Reduction was entirely transferred to the contributed surplus account of the Company; and
- (5) an amount equivalent to the amount of the accumulated losses of the Company as at 31 March 2004 was applied from the contributed surplus account against such accumulated losses in full.

**(b) Increase in authorized capital**

On the same date, the Company’s authorized share capital was increased to HK\$500,000,000 by the creation of an additional 20,000,000,000 ordinary shares of HK\$0.01 each, ranking pari passu with the existing shares of the Company.

**(c) Exercise of share options**

During the period, options were exercised to subscribe for 139,360,000 ordinary shares in the Company. The net consideration was HK\$9,645,928 of which HK\$7,682,800 was credited to share capital and the balance of HK\$1,963,128 was credited to the share premium account.

**(d) Exercise of warrants**

On 24 May 2004, the Company issued 4,379,039 ordinary shares of HK\$0.10 each at par value to the holders of the Company’s warrants.

**14. RELATED PARTY TRANSACTIONS**

During the period, the Group paid the consultancy and professional fees amounted to HK\$90,000 to a related company.

**15. CONTINGENT LIABILITIES**

As at 30 September 2004, the Group did not have any significant contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

Turnover of the Group for the six months ended 30 September 2004 was HK\$8,750,000 representing a 47% decrease over the same period of last year. The Group recorded a net loss for the period of HK\$19,526,000, compared with a net loss of HK\$2,023,000 recorded for the same period of last year.

The Group's electronics components business continued to derive a healthy stream of revenue despite a slight decline in revenue from HK\$11.4 million to HK\$8 million in the first six months of the year compared with the same period of last year. The slight decrease in revenues was due to the seasonal shift of sales orders towards the second half of the financial year. The division continues to invest in research and development capabilities with the view of providing more value-added services to its customers. The division designs and develops proprietary integrated circuit solutions that cover a broad range of products in the telecommunications and consumer electronics industries. The services primarily involve value-added embedded software and communication protocol design, integration and printed circuit board layouts. The management is confident that the growth in the global consumer electronics products industries and thus continuing demand in related components will ensure that the Group will have a growing revenue stream. The Group is optimistic that the total turnover of the division will exceed that of last year.

The Group's automotive components business resulted in a decline of sales from HK\$5,227,000 of the last period to HK\$750,000 of this period due to the past reliance on a single customer. The division's customer has recorded a significant decline in sales of its automobiles. While the management is seeking other potential customers and continues with research and development to enhance its product features and production capabilities, the Group has decided to review the operational efficiency and the future strategy of the division. As the manufacturing facilities were acquired some years ago well before the Group was restructured in 2002, significant capital expenditure would be required for up-grading the operations if the division is to target new customers and generate new sales. In an effort to reduce operating losses, the management decided to temporarily suspend production while the Group evaluates whether it is justifiable to either inject new capital or cease the line of business.

During the period, the Group continued to make new investments with a view to establishing its position as a growth company with a flexible and dynamic business model. The Group has expanded and diversified its asset base by making a number of strategic investments which provide business synergies or contribute profits in the future. As a result of the Group's continuing implementation of a growing business plan and a few equity transactions concluded during the period, including a Capital Reorganization, some non-recurring administrative expenses and professional fees were incurred.

## **Liquidity and Financing**

As at 30 September 2004, the Group had non-current assets of approximately HK\$41,860,000, mainly comprised of investments in associates; and current assets of approximately HK\$33,457,000, comprised of inventories, listed investments and cash. The Group's gearing ratio was 0.29, calculated on the basis of the Group's net borrowing (after deducting cash at bank balances) over shareholders' fund.

The Group's transactions were mainly denominated in Hong Kong dollars and Renminbi. Given that the exchange rate of Hong Kong dollars against the Renminbi 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 2004, the Group had no significant exposure under foreign exchange contracts, interest of currency swap or other financial derivatives.

As at 30 September 2004, the Group has not pledged any kind of assets.

## **Use of proceeds**

The net proceeds from the issue of convertible bond in April 2004 have been used by the Group as working capital for its business of trading and distribution of electronic components, investments and general working capital.

## **Future prospects**

With the expected strong growth of China's economy and fast recovery of Hong Kong's economy, the Group will continue to leverage on the core values of its current businesses and investments. The Group will continue to invest in markets where the macro fundamentals are sound. At the same time, the Group will seek opportunities of diversifying its assets base by making other strategic investments. The Group will continue to identify and consider investing in any attractive business. The management has recently identified a few acquisition targets and commenced negotiations. However, the Board of Directors would like to confirm that all negotiations are at a preliminary stage. Prompt announcement will be made as and when any agreement is reached.

Given the strong liquidity of the regional capital markets, the Group intends to engage in fund-raising exercises in 2005 to further boost its liquidity for acquisition purposes.

## **Employment**

As at 30 September 2004, the Group had 15 employees in Hong Kong. The remuneration policies are subject to review by the Directors of the Group.

In addition to the provision of the provident fund scheme, discretionary bonus are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed by the Directors of the Group annually.

## REVIEW BY AUDIT COMMITTEE

The Group's Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's unaudited financial statements for the six months ended 30 September 2004. On the basis of the review, the Audit Committee are of the opinion that such statements comply with the applicable accounting standards, and the Stock Exchange's and legal requirements, and that adequate disclosures have been made.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2004, the interests and short positions of the Directors and chief executive of the Company or their associates in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register 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 Transaction by Directors of Listed Companies were as follows:

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

Name of Director	Capacity	Number of shares held			% of total issued share capital (Note 3)	Number of underlying shares in respect of the options (Note 4)
		Personal interest	Family interest	Corporate interest		
Gouw Kar Yiu, Carl (Note 1)	Beneficiary of a trust	–	–	529,127,920	37.45	12,500,000
Gouw San Bo, Elizabeth (Note 1)	Beneficiary of a trust	–	–	529,127,920	37.45	12,500,000
Lo Mun Lam, Raymond (Note 2)	Beneficial owner	12,000,000	–	–	0.85	9,600,000
Ko Sai Kit, Larry	Beneficial owner	160,000	–	–	0.01	Nil

*Notes:*

1. The shares and the underlying shares (in respect of equity derivatives) are held by Power Assets Enterprises Limited (“Power Assets”), a company incorporated in the British Virgin Islands, which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests.
2. 12,000,000 personal interest of Mr. Lo Mun Lam, Raymond comprising 2,400,000 equity shares and 9,600,000 share options.
3. The approximate shareholding percentages are calculated on the assumptions that none of the outstanding options under Note 4 are being exercised.
4. 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) None of the Directors, chief executive or their associates of the Company has any short position in the shares and the underlying shares of the Company.

*Note:*

1. There were 125,000,000 share options granted by Power Assets which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests. Pursuant to the terms of the options, the grantees have the rights to require Power Assets to deliver the underlying shares. The share options have been expired on 30 September 2004.

Save as disclosed above, as at 30 September 2004, none of the Directors or chief executives or their respective associates of the Company 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 (within the meaning of Part XV of the SFO).

Save as disclosed above, at no time during the six months ended 30 September 2004 has the Company or 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.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS' DISCLOSEABLE UNDER THE SFO

As at 30 September 2004, so far as is known to the Directors of the Company, the following persons who had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company 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	Capacity	Number of shares held	% of issued share capital (Note 6)	Number of underlying shares in respect of the options (Note 7)
Power Assets (Note 1)	Beneficial owner	529,127,920	37.45	12,500,000
Gouw Hiap Kian (Note 2)	Beneficial owner/ Founder of a discretionary trust	534,367,920	37.82	12,500,000
Gouw Kar Yiu, Carl (Note 3)	Beneficiary of a trust	529,127,920	37.45	12,500,000
Gouw San Bo, Elizabeth (Note 3)	Beneficiary of a trust	529,127,920	37.45	12,500,000
CITIC International Assets Management Limited (Note 4)	Beneficial owner	208,000,000	14.72	Nil
Desert Prince Limited (Note 5)	Person having a security interest in share	513,026,638	36.31	Nil
Enberg International Limited (Note 5)	Person having a security interest in share	513,026,638	36.31	Nil

*Notes:*

1. Power Assets is a company incorporated in the British Virgins Islands, which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests.

2. The equity shares and the underlying shares (in respect of equity derivatives) in aggregate 529,127,920 out of 534,367,920 shares 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. The remaining 5,240,000 shares out of 534,367,920 shares are personal interests held by Mr. Gouw Hiap Kian.
3. 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 Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests.
4. CITIC International Assets Management Limited is a wholly-owned subsidiary of CITIC International Financial Holdings Limited which is in turn 53% owned by CITIC Group.
5. As at 30 September 2004, Desert Prince Limited and Enberg International Limited jointly held 5,130,266,386 shares (adjusted to 513,026,638 after the share consolidation from HK\$0.01 to HK\$0.1 for each share which have been taken effect on 31 March 2004) as security pursuant to a share mortgage arrangement with Power Assets.
6. The approximate shareholding percentages are calculated on the assumptions that none of the outstanding options under Note 7 are being exercised.
7. 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) None of the substantial shareholders or their associates of the Company has any short position in the shares and the underlying shares of the Company.

*Note:*

1. There were 125,000,000 share options granted by Power Assets which is wholly-owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests. Pursuant to the terms of the options, the grantees have the rights to require Power Assets to deliver the underlying shares. The share options have been expired on 30 September 2004.

Save as disclosed above, as at 30 September 2004, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



## SHARE OPTIONS

On 30 March 2004, a share option scheme (the “Scheme”) was approved and adopted by the shareholders of the Company with purpose to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, which will be effective for ten years until 29 March 2014.

Pursuant to the Scheme, the board of directors of the Company may at any time within ten years from the adoption date, offer any eligible participant (including any executive director of the Company or any of its subsidiaries) options to subscribe for shares in the Company at a price not less than the highest of:

- (i) The closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for trades in one or more board lots of shares on the offer date;
- (ii) The average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) The nominal value of the shares of the Company on the date of grant.

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and not yet exercised under the Scheme and any other share option scheme of the Group shall not exceed 30% of the shares capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme.

The issued share capital of the Company as at 30 March 2004 was HK\$125,812,701.61 comprising 12,581,270,161 shares of HK\$0.01 each. As adjusted by the consolidation of 10 shares of HK\$0.01 each into one share of HK\$0.10 which became effective on 31 March 2004, the initial 10% general limit (the “Initial 10% General Limit”) was adjusted to be 125,812,701 Shares. As at 1 April 2004, there was no share options granted under the Scheme.

At the annual general meeting of the Company held on 23 August 2004, resolutions passed to approve the capital reduction which reduced the nominal value of the shares in issue from HK\$0.1 each to HK\$0.01 each by cancelling the issued shares capital to the extent of HK\$0.09 paid up on each of the issued shares and the Initial 10% General Limit was refreshed (the “Refreshed 10% General Limit”), the Company was allowed to grant 134,349,716 share options of HK\$0.01 each, being the 10% of the shares in issue as at 23 August 2004, to any eligible participant.

As at the date of this report, options carrying the rights to subscribe for up to a total of 239,540,000 shares (representing approximately 16.33% of the number of shares in issue) had been granted under the Share Option Scheme since its adoption (115,860,000 share options were granted under the Initial 10% General Limit and 123,680,000 share options were granted under the Refreshed 10% General Limit). All these options were granted in accordance with the terms and restrictions of the Share Option Scheme. A breakdown of such grant is given below:

- (1) Options carrying the right to subscribe for a total of 12,000,000 Shares were granted to Director;
- (2) Options carrying the right to subscribe for 41,200,000 Shares were granted to employees of the Group; and
- (3) Options carrying the right to subscribe for 186,340,000 Shares were granted to consultants, advisers and suppliers of the Group.

All the above grantees of the options fall within the category of eligible participants under the Share Option Scheme. The Directors confirm that the grant of options to the above grantees was in accordance with the rules of the Share Option Scheme and the relevant requirements of the Listing Rules. Save for the Directors, none of these grantees is a connected person of the Company.

As at the date of this report, (i) a total number of 193,560,000 shares of HK\$0.01 each had been issued pursuant to the exercise of options granted under the Share Option Scheme, (ii) none of these options had lapsed nor been cancelled and (iii) the total number of shares which may fall to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme is 45,980,000 shares.

## WARRANTS

Under the terms of the Subscription Agreement, as part of the Restructuring Proposal, the Company issued the warrants in the aggregate amount of HK\$14,657,903.96 to Power Assets for a consideration of HK\$1. The warrants entitled the holder, on exercise of the subscription rights attaching to the warrants, to subscribe for 1,465,790,396 new shares at a subscription price of HK\$0.01 per New share (subject to adjustment). As the nominal value of shares of the Company has been adjusted to HK\$0.1 each by reason of every 10 shares of HK\$0.01 each be consolidated into 1 share of HK\$0.1 each with effect from 31 March 2004. The subscription price has also been adjusted to HK\$0.1 per share on the same day.

As at 31 March 2004, 142,200,000 shares of HK\$0.1 each were issued on exercise of the subscription rights attaching to the HK\$14,220,000 warrants during the year ended 31 March 2004. Upon exercise in full of the outstanding HK\$437,903.96 warrants on 24 May 2004, there was no outstanding warrants as at 30 September 2004.

## CONVERTIBLE BONDS

Pursuant to the terms of the Placing Agreement entered into between the Company, Tanrich Securities Company Limited (the “Placing Agent”), Power Assets and Mr. Gouw Kar Yiu, Carl on 17 March 2004, the Placing Agent will place the convertible bonds of the Company to not less than six subscribers in an aggregate maximum principal amount of HK\$20,000,000 at an initial conversion price at HK\$0.018 per share (subject to adjustment). The bonds bear interest at 8% per annum payable quarterly in arrears and are guaranteed by Power Assets and Mr. Gouw Kar Yiu, Carl.

As the nominal value of shares of the Company has been adjusted to HK\$0.1 each by reason of every 10 shares of HK\$0.01 each be consolidated into 1 shares of HK\$0.1 each with effect from 31 March 2004. The initial conversion price has also been adjusted to HK\$0.18 per share on the same day. The subscribers have the option to convert the bonds into fully paid shares of HK\$0.1 each of the Company at a conversion price of HK\$0.18 per share in amounts of not less than HK\$100,000 on each conversion. The maturity date will be the first anniversary of the date of issue of the convertible bonds.

The convertible bonds are freely transferable from its date of issue to any party other than one which is connected with the Directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them.

On 19 April 2004, amount of HK\$18 million convertible bonds had been placed to not less than six subscribers and the completion had taken place on 20 April 2004. The maturity date will be the first anniversary of the date of issue of the convertible bonds and 100,000,000 shares of HK\$0.1 each would be allotted and issued upon full conversion of the placed convertible bonds.

During the period, 11,111,111 shares of HK\$0.1 each were issued on conversion of the subscription rights attaching to the HK\$2,000,000 convertible bonds. At the annual general meeting of the Company held on 23 August 2004, resolutions passed to approve the capital reduction which reduced the nominal value of the shares in issue from HK\$0.1 each to HK\$0.01 each by cancelling the issued shares capital to the extent of HK\$0.09 paid up on each of the issued shares. Therefore, the shares issued upon the conversion of convertible bonds became 11,111,111 of HK\$0.01 each.

As at 30 September 2004, there were outstanding HK\$16,000,000 convertible bonds. Upon convert in full of the outstanding HK\$16,000,000 convertible bonds would result in the issue of an additional 88,888,889 ordinary shares of HK\$0.01 each by the Company.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the period was the Company, its holding company, subsidiaries or fellow subsidiaries was a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **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 of the Company presently comprises three Independent Non-executive Directors. The Audit Committee has reviewed the announcement, the accounting principles and practices adopted by the Group and discussed with the Board matters relating to the financial reporting process, internal controls and risk management 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 2004, 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has complied with the Model Code for Securities Transactions by Directors of Listing Companies contained in Appendix 10 of the Listing Rules.

By Order of the Board  
**GOUW, Carl Kar Yiu**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 December 2004