

## DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal subsidiaries are set out in Note 18 to the financial statements.

### CHANGE OF COMPANY'S NAME

By a special resolution on 21 May 2003, the name of the Company was changed from Innovative International (Holdings) Limited to Gorient (Holdings) Limited and the Company adopted the Chinese name 協里控股有限公司 for identification purposes.

### SEGMENTAL INFORMATION

The analysis of the consolidated turnover and contribution to loss from operations by geographical location and principal activity for the year ended 31 March 2003 is provided as follows:

#### Turnover Breakdown by Geographical Location and by Activity

	Turnover		Contribution to loss from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>By geographical location:</b>				
Europe	–	24,273	–	(13,605)
America	–	26,052	–	(14,602)
Asia	11,452	9,104	(3,081)	(2,594)
Australia and Oceania	–	4,951	–	(2,775)
Others	–	5,572	–	(3,123)
	<b>11,452</b>	<b>69,952</b>	<b>(3,081)</b>	<b>(36,699)</b>
<b>By activity:</b>				
Manufacturing and trading	11,452	69,952	(3,081)	(36,699)

### MAJOR CUSTOMERS AND SUPPLIERS

Sales to the largest customer and the next four largest customers accounted for 89% (2002: 10%) and 3% (2002: 35%) of the Group's total turnover respectively for the year.

Purchases from the largest supplier and the next four largest suppliers accounted for 31% (2002: 4%) and 30% (2002: 19%) of the Group's total purchases respectively for the year.

As at 31 March 2003, none of the Directors of the Company, their associates, or any shareholders of the Company which to the knowledge of the Directors of the Company owns more than 5% of the Company's issued share capital had beneficial interests in any of the Group's five largest customers or five largest suppliers as mentioned in the preceding paragraphs.

## **DIRECTORS' REPORT (Continued)**

### **RESULTS AND DIVIDENDS**

The result of the Group for the year ended 31 March 2003 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 15 to 41.

The Board of Directors does not recommend any payment of dividend for the year ended 31 March 2003 (2002: Nil).

### **RESERVES**

Movements in reserves of the Group and the Company during the year are set out in Note 32 to the financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment during the year are set out in Note 17 to the financial statements.

Additions to property, plant and equipment of the Group during the year amounted to HK\$441,000 (2002: HK\$1,200,000).

### **BORROWINGS**

Details of borrowings of the Group and the Company as at 31 March 2003 are set out in Notes 30 and 33 to the financial statements.

### **FIVE YEARS SUMMARY**

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 3 of the annual report.

### **SHARE CAPITAL**

Movements in share capital of the Company during the year are set out in Note 31 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

### **DISTRIBUTABLE RESERVES**

Details of the distributable reserves of the Group and the Company as at 31 March 2003 are set out in Note 32 to the financial statements.

### **POST BALANCE SHEET EVENTS**

Details of significant events occurring after the balance sheet date are set out in Note 39 to the financial statements.

## DIRECTORS' REPORT *(Continued)*

### DIRECTORS

The Directors of the Company during the year were:

#### Executive directors

Mr. GOUW Hiap Kian ( <i>Chairman</i> )	(Appointed on 20 December 2002)
Mr. GOUW Kar Yiu, Carl ( <i>Vice chairman &amp; Managing Director</i> )	(Appointed on 20 December 2002)
Ms. GOUW San Bo, Elizabeth	(Appointed on 20 December 2002)
Mr. HUI Ching Shan	(Appointed on 27 December 2002 and resigned on 5 March 2003)
Mr. CHANG Lien Hing, Stephen	(Removed on 20 December 2002)
Ms. WHONG Shuk Ping, Anita	(Resigned on 20 December 2002)

#### Non-executive directors

Mr. CHOW Yeung Tuen, Richard	(Appointed on 27 December 2002)
Mr. LO Mun Lam, Raymond ( <i>Vice Chairman</i> )	(Appointed on 23 December 2002)
Mr. TONG Wui Tung, Ronald	(Resigned on 20 December 2002)

#### Independent non-executive directors

Mr. KO Sai Kit, Larry	(Appointed on 18 December 2002)
Mr. LAW Hung Wai, Sam	(Appointed on 18 December 2002)
Mr. LUM Chor Wah, Richard	(Resigned on 20 December 2002)
Mr. MAR, Selwyn	(Appointed on 14 May 2002 and resigned on 20 December 2002)
Mr. MACLEOD, Alistair	(Appointed on 14 May 2002 and resigned on 20 December 2002)

In accordance with Articles 99 and 102 of the Bye-Laws of the Company, other than the Chairman and Managing Director, all Directors shall retire, and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. GOUW San Bo, Elizabeth, LO Mun Lam, Raymond, CHOW Yeung Tuen, Richard, KO Sai Kit, Larry and LAW Hung Wai, Sam offered themselves for re-election.

### DIRECTORS' BIOGRAPHIES

#### Executive Directors

##### *GOUW Hiap Kian – Chairman*

Aged 65, was appointed as an executive director and Chairman of the Company on 20 December 2002. He is also the founder and Chairman of Gouw Assets Group, a group of private companies based in Hong Kong with interests in real estate, retail and distribution, movie businesses and financial investments. He has over 35 years of investment experience.

##### *GOUW Kar Yiu, Carl – Vice Chairman & Managing Director*

Aged 27, was appointed as Vice Chairman and Managing Director of the Company on 20 December 2002. He is responsible for the Company's overall strategic planning, finance and operational activities. He holds a BSc degree in Management Sciences from the London School of Economics and Political Science. He is the son of GOUW Hiap Kian.

**DIRECTORS' REPORT (Continued)****DIRECTORS' BIOGRAPHIES (Continued)****Executive Directors (Continued)***GOUW San Bo, Elizabeth*

Aged 32, was appointed as an executive director of the Company on 20 December 2002. Ms. GOUW was previously a fund manager with a UK-based investment management institution, as well as a research analyst for a major European brokerage firm. She has 6 years of experience in equities' research and institutional investment management. She holds a Master's degree in Accounting and Finance from the London School of Economics and Political Science. She is a Chartered Financial Analyst. She is a daughter of GOUW Hiap Kian.

**Non-executive Directors***LO Mun Lam, Raymond – Vice Chairman*

Aged 49, was appointed as a non-executive director and Vice Chairman of the Company on 23 December 2002. Mr. LO is a Managing Partner of an investment advisory firm based in Hong Kong. He has previously served in many multi-disciplinary listed and major companies as an advisor, director and financial strategist. He is a fellow member of the Institute of Chartered Accountants in England & Wales, a member of the Institute of Chartered Accountants of Ontario and a member of the Hotel & Catering International Management Association of the United Kingdom.

*CHOW Yeung Tuen, Richard*

Aged 45, was appointed as a non-executive director of the Company on 27 December 2002. Mr. CHOW is a Certified Public Accountant with over 20 years of experience in auditing and taxation. He acts as director of a number of private companies and one listed company in Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong. He also holds a Master's Degree in Business Administration.

**Independent Non-executive Directors***KO Sai Kit, Larry*

Aged 63, was appointed as an independent non-executive director of the Company on 18 December 2002. Mr. KO is a Solicitor and Notary Public by profession. He is a partner in Messrs. Lo & Lo and Messrs. Stephenson Harwood & Lo. He is also a director of Tai Yau Bank Limited. Mr. KO is a member of the Law Society of England and Hong Kong.

*LAW Hung Wai, Sam*

Aged 45, was appointed as an independent non-executive director of the Company on 18 December 2002. Mr. LAW is a director of a consulting firm providing finance, accounting and corporate development advisory services for listed companies in Hong Kong and the USA. He was previously the head of finance of several major corporations in Hong Kong and the USA. He has 17 years of experience in the field of corporate financial management. Mr. LAW holds a Master of Business Administration degree from the University of California, Berkeley. He is a qualified accountant in Hong Kong, China, the United Kingdom and the USA, and a licensed civil engineer in the USA.

**DIRECTORS' REPORT (Continued)****DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

As at 31 March 2003, the beneficial interests of the Directors and the chief executive or their associates in the issued share capital of the Company, as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

**Ordinary shares of HK\$0.01 each**

<b>Directors</b>		<b>Personal Interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Total</b>
Mr. GOUW Kar Yiu, Carl	(Note 1)	–	–	5,130,332,800	5,130,332,800
Ms. GOUW San Bo, Elizabeth	(Note 1)	–	–	5,130,332,800	5,130,332,800

**Warrants**

<b>Directors</b>		<b>Purchased</b>	<b>Exercised</b>	<b>Total</b>
Mr. GOUW Kar Yiu, Carl	(Note 2)	1,465,790,396	–	1,465,790,396
Ms. GOUW San Bo, Elizabeth	(Note 2)	1,465,790,396	–	1,465,790,396

**Options**

<b>Directors</b>		<b>Granted</b>	<b>Exercised</b>	<b>Total</b>
Mr. GOUW Kar Yiu, Carl	(Note 3)	125,000,000	–	125,000,000
Ms. GOUW San Bo, Elizabeth	(Note 3)	125,000,000	–	125,000,000

*Note 1:* The shares are held by Power Assets Enterprises Limited which is wholly owned by Gouw Family Trust, in which Mr. GOUW Kar Yiu, Carl and Ms. GOUW San Bo, Elizabeth have interests.

*Note 2:* The warrants were issued to and subscribed by Power Assets Enterprises Limited under the Restructuring Proposal with effect from 20 December 2002 at a total consideration of HK\$1 which will entitle the holders to subscribe for 1,465,790,396 shares at a subscription price of HK\$0.01 per share. The holders can subscribe for new shares from the date which falls into six months after the date of issue to the third anniversary of the date of issue.

*Note 3:* The options were granted to Power Assets Enterprises Limited. Pursuant to the terms of the options, the grantee has the right to buy the Company's shares from the grantor. The options are exercisable at HK\$0.015 per share from 19 March 2003 to 18 March 2005.

Save as disclosed above, none of the other Directors, the chief executive or their associates had any interest in the issued share capital, of the Company as recorded in the register required to be maintained under Section 29 of the SDI Ordinance.

**DIRECTORS' SERVICE CONTRACTS**

No Director of the Company proposed for re-election at the forthcoming annual general meeting of the Company has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

**DIRECTORS' REPORT (Continued)****SUBSTANTIAL SHAREHOLDERS**

As at 31 March 2003, the Company had been notified of the following interests in the Company's issued shares, amounting to 10 % or more of the share capital of the Company:

		<b>Number of ordinary shares held</b>	<b>Percentage of total issued shares</b>
Power Assets Enterprises Limited	<i>(Note)</i>	5,130,332,800	70.00%
Gouw Family Trust	<i>(Note)</i>	5,130,332,800	70.00%
Mr. GOUW Kar Yiu, Carl	<i>(Note)</i>	5,130,332,800	70.00%
Ms. GOUW San Bo, Elizabeth	<i>(Note)</i>	5,130,332,800	70.00%

*Note:* The shares are held by Power Assets Enterprises Limited which is wholly owned by Gouw Family Trust, in which Mr. GOUW Kar Yiu, Carl and Ms. GOUW San Bo, Elizabeth have interests.

Save as disclosed herein, there is no other person or corporate entity known to the Directors of the Company who had registered an interest in the share capital of the Company required to be recorded by the Company under Section 16(1) of the SDI Ordinance.

**DIRECTORS' INTEREST IN CONTRACTS**

There were no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries a party, subsisting at the end of the year or at any time during the year, in which a director had, whether directly or indirectly, a material interest.

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

Apart from as disclosed under the heading "Directors' and Chief Executive's Interests in Shares" above, at no time during the year 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.

**EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES**

Details of Directors' emoluments and the highest paid employees are set out in Note 35 to the financial statements.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **DIRECTORS' REPORT (Continued)**

### **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2003, save for the fact that the Audit Committee only started formal meetings from 16 August 2002 (paragraph 14). The Directors consider that the non-compliance was due to the operating and financial difficulties as mentioned in last year's annual report in the section headed "General Overview" in the Statement from Directors and Receivers. Steps are being taken to ensure full compliance is achieved in future.

Non-executive directors are not appointed on specific terms. Non-executive and independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

### **AUDIT COMMITTEE**

The audit committee of the Company presently comprises two independent non-executive Directors. The audit committee has reviewed the announcements and discussed with the Board matters relating to the financial reporting and internal control of the Group.

### **AUDITORS**

On 22 August 2002, Grant Thornton resigned and Moore Stephens were appointed, as auditors of the Company.

The auditors, Moore Stephens, retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

**GOUW Kar Yiu, Carl**

*Director*

Hong Kong, 18 July 2003