



# GOLDWIZ HOLDINGS LIMITED

## 科維控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 586)

### INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2004

The Directors of Goldwiz Holdings Limited (the “Company”) are pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
<b>Turnover</b>	3	<b>139,527</b>	49,664
Cost of sales		<b>(90,633)</b>	(37,483)
<b>Gross Profit</b>		<b>48,894</b>	12,181
Other revenue and other net income	4	262	4,109
Distribution costs		(2,109)	(1,371)
Administrative expenses		(15,608)	(16,045)
Other operating expenses		(11,426)	(3,978)
<b>Profit/(loss) from operations</b>	5	<b>20,013</b>	(5,104)
Finance costs	6	(7,167)	(3,632)
Share of results of associates	7	(470)	–
<b>Profit/(loss) from ordinary activities before taxation</b>		<b>12,376</b>	(8,736)
<b>Taxation</b>	8	<b>(390)</b>	–
<b>Profit/(loss) attributable to shareholders</b>		<b>11,986</b>	(8,736)
<b>Profit/(loss) per share (cents)</b>			
– Basic	9	<b>1.13</b>	(0.82)
– Diluted		<b>1.05</b>	N/A

#### NOTES TO THE ACCOUNTS

##### 1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance 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 “Listing Rules”) and with the Statement of Standard Accounting Practice (“SSAP”) 25 (Revised) “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), formerly known as the Hong Kong Society of Accountants.

##### 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost as modified by revaluation of hotel properties.

In the current period, the Group has adopted, a number of new and revised SSAPs issued by the HKICPA. The adoption of these SSAPs has no significant effect on the financial statements for the current or prior period.

The accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2004.

##### 3. SEGMENT REPORTING

Segment information is presented in respect of the Group’s business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

## Business segments

The Group comprises the following main business segments:

Strategic investments:	The investments in investment securities, which engage in (i) design and integration of automaton and control system, (ii) manufacture and distribution of electronic products related materials, and (iii) development of landed property in Shanghai, the PRC to generate dividend income and gain from appreciation in the investment value in the long term
Property investments:	The leasing of office premises and shopping arcades in Guangzhou, the PRC to generate rental income.
Hotel operations:	Leasing of lodging spaces, provision of food and beverage at restaurant outlets, leasing of retail outlets and operating other minor department such as spa, telephone, guest transportation and laundry within the hotel premises
Hi-tech electronic products:	Design, development and distribution of hi-tech consumer electronic products
Electronic materials:	Trading of electronic products related materials

	For the six months ended 30 September 2004 (Unaudited)						
	Strategic investments HK\$'000	Property investments HK\$'000	Hotel operations HK\$'000	Hi-tech electronic products HK\$'000	Electronic materials HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue from external customers	<u>-</u>	<u>-</u>	<u>26,230</u>	<u>72,238</u>	<u>42,034</u>	<u>(975)</u>	<u>139,527</u>
Segment results	35	-	6,312	19,314	(275)	-	25,386
Unallocated operating expenses							<u>(5,373)</u>
Profit from operations							20,013
Finance costs							(7,167)
Share of results of associates							(470)
Taxation							<u>(390)</u>
Profit attributable to shareholders							<u>11,986</u>

	For the six months ended 30 September 2003 (Unaudited)						
	Strategic investments HK\$'000	Property investments HK\$'000	Hotel operations HK\$'000	Hi-tech electronic products HK\$'000	Electronic materials HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue from external customers	<u>-</u>	<u>-</u>	<u>20,801</u>	<u>-</u>	<u>29,020</u>	<u>(157)</u>	<u>49,664</u>
Segment results	(11)	2,947	2,219	(6,530)	201	-	(1,174)
Unallocated operating expenses							<u>(3,930)</u>
Loss from operations							(5,104)
Finance costs							(3,632)
Share of results of associates							-
Taxation							-
Loss attributable to shareholders							<u>(8,736)</u>

## Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the assets.

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Revenue from external customers		
PRC (including Hong Kong)	60,780	34,202
India	517	1,880
Korea	62,280	13,582
Italy	390	-
Malaysia	15,560	-
	<u>139,527</u>	<u>49,664</u>

#### 4. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Other Revenue		
Interest income from bank	178	2,217
Interest income from an associate	42	–
Others	42	241
	<u>262</u>	<u>2,458</u>
Other net income		
Gain on disposal of investment properties	–	1,651
	<u>262</u>	<u>4,109</u>

#### 5. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is arrived at after charging/(crediting) the following items:

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
(a) Staff costs (including directors' remuneration)		
– contributions to defined contribution plan	273	138
– other staff salaries, wages and other benefits	11,897	9,431
	<u>12,170</u>	<u>9,569</u>
(b) Other items		
Cost of inventories sold and services provided	90,633	37,483
Auditors' remuneration		
– under-provision in prior year	144	3
Depreciation of property, plant and equipment		
– owned assets	2,545	4,820
– an assets held under a finance lease	65	66
	<u>2,610</u>	<u>4,886</u>
Loss on disposal of property, plant and equipment	104	847
Amortisation of intangible assets	6,580	2,679
Amortisation of positive goodwill	3,494	2,378
Operating leases rentals in respect of rented premises	1,133	1,944
Provision for doubtful debts	8	20
Net change loss/(gain)	25	(144)

#### 6. FINANCE COSTS

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	3,468	6
Interest on other borrowings wholly repayable within five years	464	–
Interest on promissory note	1,678	1,685
Interest on convertible note	1,550	1,929
Finance charges on obligations under a finance lease	7	12
	<u>7,167</u>	<u>3,632</u>
Total finance costs		

#### 7. SHARE OF RESULTS OF ASSOCIATES

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Share of profits of associates	945	–
Amortisation of positive goodwill	(1,415)	–
	<u>(470)</u>	<u>–</u>

## 8. TAXATION

(a) Taxation in the consolidated income statement represents:

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Share of associates' taxation	336	–
Current tax – Hong Kong Profits Tax	54	–
	<u>390</u>	<u>–</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003:17.5%) on the estimated assessable profit earned by a subsidiary operated in Hong Kong for the period. Taxation for the PRC operations is charged at appropriate current rates of taxation ruling in the PRC.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Profit/(loss) before tax	<u>12,376</u>	<u>(8,736)</u>
Notional tax at the applicable tax rates	6,379	(1,959)
Tax effect of non-deductible expenses	(131)	(3,120)
Tax effect of non-taxable revenue	(5,902)	5,053
Tax effect of unused tax losses not recognised	44	60
Tax effect of HKGAAP adjustments	–	(34)
Actual tax expense	<u>390</u>	<u>–</u>

## 9. PROFIT/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earning per share for the six months ended 30 September 2004 is based on the profit attributable to shareholders of approximately HK\$11,986,000 (2003: a loss of HK\$8,736,000) and on the weighted average of 1,061,627,920 shares (2003: 1,061,627,920 shares) in issue throughout the period.

### (b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the six months ended 30 September 2004 is based on the profit attributable to shareholders of HK\$13,265,084 and the weighted average number of shares of 1,265,575,288 after adjusting for the effects of all dilutive potential shares.

Diluted loss per share for the period ended 30 September 2003 was not presented as the exercise of the potential shares outstanding during the six months ended 30 September 2003 has an anti-dilutive effect on the calculation of diluted loss per share for the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The Group's unaudited consolidated profit attributable to shareholders for the six-month ended 30 September 2004 amounted to approximately HK\$11.98 million (2003: loss of HK\$8.74 million). Profit per share for the period was 1.13 cent as compared with loss per share of 0.82 cents of the preceding year. The unaudited consolidated turnover has increased by 180.9% to approximately HK\$140 million as compared with the same period of the preceding year.

### Business Review

#### Hotel operation

Turnover of Harbour Plaza Kunming during the period has increased by about 26.2% to approximately RMB27.90 million (HK\$26.23 million) as compared with the corresponding period of the preceding year due to the full recovery since second quarter of 2003 from the outbreak of Severe Acute Respiratory Syndrome. The hotel will continue to focus on corporate segment as its top revenue position and it continues to remain the strongest in the local market among all competitor hotels. With the automatic renewal of the relevant management contract, the hotel is still managed by Harbour Plaza Hotel Management Limited.

#### Electronic materials

During the period, trading of electronic materials contributed about 30.1% of the Group's total turnover (2003: 58.4%). The performance of this segment showed improvement, in particular in China and Hong Kong markets, recording total sales turnover of HK\$42.03 million (2003: HK\$29.02 million) due to the rising demand on electronic products related materials and wider distribution channels as well as increased selling price.

### Hi-tech electronic products

Since the completion of the 100% acquisition in Smart Idea Enterprises Limited and its subsidiaries in May 2003, the Group's performance has been greatly improved enabling the Group to turn around. During the period under review, the turnover of the hi-tech electronic products business contributed about 51.7% (2003: nil) of the Group's total turnover. The business involved trading of mobile phone's motherboard and the provision of technical services on mobile phone solutions.

### Property investment/development

The construction on main-structure of the 37-storey development building has been completed in early December 2004. Pre-sale activities for 9th to 37th floor has been started since end October 2004 and more than 50% of the pre-saleable units were sold. Application for pre-sale permit in respect of the units on 8th floor and below is under processing.

### Associated companies

#### *Techwayson Holdings Limited ("Techwayson")*

For its financial year ended 30 June 2004, Techwayson has recorded an audited consolidated turnover of approximately RMB359.17 million (HK\$337.6 million) representing an increase of about 121.9% as compared with the corresponding period of the preceding year. The audited consolidated profit attributable to shareholders amounted to approximately RMB10.92 million (HK\$10.26 million) as compared with net profit of approximately RMB9.62 million (HK\$9.04 million) of the same period last year. Techwayson shall continue to intensify its effort on product sales and channel establishment with its co-operation partners.

#### *Tongling Huarui Electronic Materials Co. Ltd. ("Tongling Huarui")*

For the nine months ended 30 September 2004, Tongling Huarui recorded an unaudited net profit of approximately RMB5.71 million (HK\$5.37 million) representing an increase of 90% as compared with the corresponding period of the preceding year. With the accelerated global demand in electronic materials, the order book for laminates exceeded the production capacity of the company leading to an up-trend for the selling prices and profitability.

## **Financial Review**

### *Liquidity and financial resources*

At 30 September 2004, the Group had cash balance of HK\$38.71 million (31/3/2004: HK\$79.67 million). The gearing of the Group was 209.3% (31/3/2004: 195.8%) which was calculated based on the total liabilities over shareholders' fund. At 30 September 2004, the current rate of the Group was 0.75, as compared with 0.64 as at 31 March 2004.

At 30 September 2004, the total borrowings of the Group were approximately HK\$162.20 million (31/3/2004: HK\$94 million). The borrowings consist of one-year term loans of RMB150 million (HK\$141 million) (31/3/2004: HK\$94 million) and a six-month term loan of HK\$21.20 million (31/3/2004: nil). All of the borrowings are secured by corporate guarantee given by the Company and some of them are also secured by share mortgage over certain equity interest of the Company and by first floating charges over the assets of the Company and the borrower. The loans were primarily borrowed to finance the operation of the hi-tech electronic business and the general working capital of the Group.

At 30 September 2004, the current liabilities of the Group included the last two instalments for a total sum of HK\$77.5 million in respect of the secured promissory note and the principal amount of HK\$155 million in respect of the secured convertible note.

During the period, Open Mission Assets Limited, the major shareholder of the Company, continued to give financial support to the Group by granting shareholder's loan, which is unsecured and without any fixed repayment term, and by waiving the interest incurred by the Company during the period. With the continuous financial support from the Company's major shareholder and the adoption of prudent policies, the management believes that the Group shall be able to meet its working capital.

### *Charge on assets*

At 30 September 2004, the entire equity interests of the Group in Risdon Limited (together with the shareholder's loan due from Risdon Limited) and Harbour Plaza Kunming Co. Ltd., the wholly-owned subsidiary of Risdon Limited, were pledged to secure against the Company's obligations under the non-transferable promissory note dated 24 July 2002 and the convertible note dated 8 November 2002 in relation to the acquisition of the entire equity interest in Risdon Limited by the Company from Hutchison Hotel Holdings (International) Limited.

During the period, a subsidiary of the Company has created a debenture incorporating the first floating charge over its undertaking, property and assets to secure its obligations under a loan agreement in respect of a six-month term loan. At the same time, the Company has also created a debenture incorporating the first floating charge over the undertaking, property and assets of the Company and a share mortgage over its equity interest in that subsidiary to secure its obligations as the guarantor for the said loan.

### *Exposure to fluctuations*

As the Group's earnings and borrowings are primarily denominated in Hong Kong dollars, United States dollars or Renminbi, it has no significant exposure to foreign exchange rate fluctuation.

### *Contingent Liabilities*

As at 30 September 2004, the Company had contingent liabilities amounting to HK\$164.72 million (31/3/2004: HK\$94 million) due to the provision of corporate guarantee in connection with certain term-loans and banking facilities granted to its subsidiaries.

### **Prospects**

During the period under review, the China government continued to exercise its regulatory and monetary control power to curb the risk of inflationary growth.

The mobile phone industry experienced recent fluctuation in the demand and fierce competition from both domestic players and abroad. The Group had formed strategic alliance with business partners and focused on business operation along certain links of the industry value-chain. The Group will place more emphasis on the research and development to launch new products and solutions to its business partners.

The grim experience of SARS, “Bird Flu”, Iraqi wars and terrorist threat has affected the tourist industry but the situation has been recovering. The local government in Kunming has made long-term action plans such as the “New Kunming” project and ASEAN free trade zone to accelerate the city’s economy and further development. New road, railway systems and international direct airlines access are under construction or negotiation to improve the city’s infrastructure to support such plans. As more than 50% of the Hotel’s geographic mix comes from the local market, the Company is optimistic about the prospect of the Hotel in this sector owing to the increasing spending power of the local people. Harbour Plaza Kunming will continue to lead the top tier with its premium service.

For the Group’s investments in Techwayson and Tongling Huarui, the management of the Group is optimistic about the trend in copper clad laminate industry and the industry on automation and control system in general and believes that these investments shall sustain a reasonable return in the long run.

For the Group’s investment in the property/development, the Company is confident that it will bring satisfactory return to the Group in view of the active property market in Shanghai and the good location of the building.

The Group will continue to exercise tight cost control and to maintain competitiveness. Barring unforeseen circumstances, the general outlook for the Group’s business shall remain steady for the rest of the financial year.

### **Employees**

As of 30 September 2004, the Group employed about 513 employees, of which 442 are the employees of the Harbour Plaza Kunming Co. Ltd. (the “Hotel Company”) under the management of Harbour Plaza Hotel Management Limited. The employees of that Hotel Company are rewarded on a performance related basis within the general framework of the hotel’s salary and bonus system which is reviewed annually. The remuneration policy and package including basic salaries, medical coverage, insurance plan and discretionary bonus are subject to periodical review of the respective management. In addition, training and development programs are provided on an ongoing basis to employees of the Group to raise productivity and to maintain a high standard of service for the hotel. The Group does not have any share option scheme.

### **INTERIM DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2004 (2003: Nil).

### **PURCHASE, SALE AND REDEMPTION OF SHARES**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the 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 period ended 30 September 2004 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except that the independent non-executive directors of the Company have not been appointed for a specific term of office but retire from office on a rotational basis in accordance with the Company’s Bye-Laws.

### **REVIEW BY AUDIT COMMITTEE**

The interim results for the six months ended 30 September 2004 have not been audited by the Company’s auditors, but have been reviewed by the Audit Committee which comprises three independent non-executive directors of the Company.

**PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

A detailed interim report containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting period commencing before 1 July 2004 under transitional arrangements, will be published on the website of the Stock Exchange in due course.

By Order of the Board  
**LIU Xue Lin**  
*Chairman*

*As at the date hereof, the Executive Directors of the Company are Mr. LIU Xue Lin, Mr. YAO Ke Ming, Mr. Simon SHI Hao, Mr. LIM Ka Thiam; the Independent Non-Executive Directors are Mr. LIU Kwok Fai, Alvan, Mr. CHOW Siu Tong and Mr. LAI Ka Chu.*

Hong Kong, 29 December 2004

\* *for identification purpose only*

Please also refer to the published version of this announcement in The Standard.