



# GOLDWIZ HOLDINGS LIMITED

## 科維控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 586)

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2005

The board of directors (the “Board”) of Goldwiz Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2005, together with comparative figures for the previous year as follows:

#### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
<b>Turnover</b>		<b>282,803</b>	179,676
Cost of sales		<b>(206,471)</b>	(113,342)
<b>Gross Profit</b>		<b>76,332</b>	66,334
Other revenue and other net income	4	<b>1,249</b>	4,042
Distribution costs		<b>(4,997)</b>	(4,642)
Administrative expenses		<b>(26,050)</b>	(32,346)
Other operating expenses		<b>(62,743)</b>	(24,360)
<b>(Loss)/profit from operations</b>	5	<b>(16,209)</b>	9,028
Non-operating income, net	6	<b>429</b>	2,428
Finance costs	7	<b>(21,109)</b>	(7,180)
Share of profits less losses of associates	8	<b>(3,603)</b>	1,828
<b>(Loss)/profit from ordinary activities before taxation</b>		<b>(40,492)</b>	6,104
<b>Taxation</b>	9	<b>(1,322)</b>	(567)
<b>(Loss)/profit attributable to shareholders</b>		<b>(41,814)</b>	5,537
<b>(Loss)/profit per share (cents)</b>			
– Basic		<b>(3.94 cents)</b>	0.52 cents
– Diluted		<b>N/A</b>	N/A

#### NOTES

##### 1. Basis of Preparation of the Financial Statements

###### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants (“HKCPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) *Going concern*  
Notwithstanding that:

- the Group and the Company suffered loss;
- as at 31 March 2005, the Group had net current liabilities, including the note payable of HK\$155,000,000 and the promissory note of HK\$39,500,000 which were overdue; and
- as at the date of authorisation for issue of the financial statements, the note payable of HK\$155,000,000 and the promissory note of HK\$9,500,000 remain outstanding.

these financial statements have been prepared on a going concern basis as the directors of the Company are of the opinion that the Company and the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to the following:

- (i) the Group is able to attain profitable and cash positive operation in the future;
- (ii) the Company is able to extend the repayment schedule in respect of the note payable of HK\$155,000,000 and the promissory note of HK\$39,500,000 made available to the Company from the holder of the note payable and the promissory note (collectively the “Noteholder”) and that the Noteholder will not take any action against the Company as the Company is able to make payments to the Noteholder according to its arranged repayment schedule; and
- (iii) continuing financial support received from Mr. Liu Xue Lin, a director of the Company and the sole shareholder of Open Mission Assets Limited which is a major shareholder of the Company.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Company and the Group fail to continue as a going concern.

(c) *Basis of measurement*

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of hotel properties as explained in the accounting policies set out below.

## 2. **Impact of Recently Issued Accounting Standards**

The HKCPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 3. **Segment Reporting**

### *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 automation and control system, and (ii) development of landed property in Shanghai, the PRC, to generate dividend income and gain from appreciation in the investment value in the long term. |
| Hotel operations            | : | Leasing of lodging spaces, provision of food and beverage at restaurant outlets, leasing of retail outlets and operating of other minor departments such as spa, telephone, guest transportation and laundry within the hotel premises.   |
| Hi-tech electronic products | : | Design, development and distribution of hi-tech electronic products.  |
| Electronic materials        | : | Manufacture, distribution and trading of electronic products related materials.   |
| Property investments        | : | Leasing of office premises and shopping arcades in Guangzhou, the PRC to generate rental income.  |

	2005						
	Strategic investments HK\$'000	Hotel operations HK\$'000	Hi-tech electronic HK\$'000	Electronic materials HK\$'000	Property investments HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue from external customers	<u>–</u>	<u>52,738</u>	<u>173,258</u>	<u>58,594</u>	<u>–</u>	<u>(1,787)</u>	<u>282,803</u>
Segment results before impairment							
loss on interest in an associate	262	13,096	15,243	(619)	–	(1,375)	26,607
Impairment loss on interest in an associate	<u>(37,060)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(37,060)</u>
Segment results after impairment							
loss on interest in an associate	(36,798)	13,096	15,243	(619)	–	(1,375)	(10,453)
Unallocated operating expenses							<u>(5,756)</u>
Loss from operations							(16,209)
Surplus on revaluation of hotel properties							429
Finance costs							(21,109)
Share of profits less losses of associates	(1,161)	–	–	(2,442)	–		(3,603)
Taxation							<u>(1,322)</u>
Loss attributable to shareholders							<u>(41,814)</u>
Depreciation and amortisation for the year	–	2,412	13,598	–	–		16,010
Unallocated depreciation and amortisation							<u>217</u>
							<u>16,227</u>

	2004						
	Strategic investments HK\$'000	Hotel operations HK\$'000	Hi-tech electronic HK\$'000	Electronic materials HK\$'000	Property investments HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue from external customers	<u>–</u>	<u>50,055</u>	<u>81,020</u>	<u>48,843</u>	<u>–</u>	<u>(242)</u>	<u>179,676</u>
Segment results before impairment							
loss on interest in an associate	(42)	6,942	8,711	(1,020)	3,784		18,375
Impairment loss on interest in an associate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Segment results after impairment							
loss on interest in an associate	(42)	6,942	8,711	(1,020)	3,784		18,375
Unallocated operating expenses							<u>(9,347)</u>
Profit from operations							9,028
Surplus on revaluation of hotel properties							2,428
Finance costs							(7,180)
Share of profits less losses of associates	1,207	–	–	621	–		1,828
Taxation							<u>(567)</u>
Profit attributable to shareholders							<u>5,537</u>
Depreciation and amortisation for the year	–	10,133	5,674	–	–		15,807
Unallocated depreciation and amortisation							<u>3,145</u>
							<u>18,952</u>

### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Revenue from external customers		
PRC (including Hong Kong)	109,851	168,246
India	516	846
Korea	98,098	10,443
Italy	391	141
Malaysia	73,947	–
	<u>282,803</u>	<u>179,676</u>
<b>4. Other Revenue and Other Net Income</b>		
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Other revenue		
Interest income from banks	400	187
Interest income from others	278	2,144
Management fee income	532	–
Others	39	60
	<u>1,249</u>	<u>2,391</u>
Other net income		
Gain on disposal of investment properties	–	1,651
	<u>1,249</u>	<u>4,042</u>
<b>5. (Loss)/Profit from Operations</b>		
(Loss)/profit from operations is arrived at after charging/(crediting) the following items:		
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amortisation of intangible assets	11,280	9,400
Amortisation of positive goodwill (including in other operating expenses)	6,989	6,548
Auditors' remuneration		
– current year	662	557
– under-provision in prior years	–	210
Cost of inventories sold and services rendered	206,471	113,342
Depreciation of property, plant and equipment		
– owned assets	4,815	9,421
– an asset under a finance lease	132	131
Impairment loss on interest in an associate (including in other operating expenses)	37,060	–
Loss on disposal of property, plant and equipment	371	214
Operating lease charges		
– properties	1,778	1,978
– office equipment	7	1
Provision for bad and doubtful debts	14	630
Research and development costs	4,751	5,383
Staff costs (including directors' remuneration)		
– contributions to defined contribution plans	849	580
– other staff salaries, wages and other benefits	21,681	22,609
	<u>22,530</u>	<u>23,189</u>
Net exchange gain	<u>(55)</u>	<u>(244)</u>
<b>6. Non-operating Income</b>		
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Surplus on revaluation of hotel properties	<u>429</u>	<u>2,428</u>

## 7. Finance Costs

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans wholly repayable within five years	7,785	521
Interest on other loans	2,757	–
Interest on promissory note	3,411	3,533
Interest on convertible note	1,893	3,105
Interest on note payable	3,081	–
Finance charges on obligations under a finance lease	12	21
Other borrowings costs	2,170	–
	<u>21,109</u>	<u>7,180</u>

## 8. Share of Profits Less Losses of Associates

	2005 HK\$'000	2004 HK\$'000
Share of profits less losses of associates	(772)	2,712
Amortisation of positive goodwill	(2,831)	(884)
	<u>(3,603)</u>	<u>1,828</u>

## 9. Taxation

*Taxation in the consolidated income statement represents:*

	2005 HK\$'000	2004 HK\$'000
Provision for Hong Kong profits tax for the year	165	–
Share of taxation of associates	1,157	567
	<u>1,322</u>	<u>567</u>

(i) Hong Kong Profits Tax has been provided for 17.5% on the estimated assessable profit for the year (2004: Nil).

(ii) Taxation for the PRC operations is charged at appropriate current rates of taxation ruling in the PRC.

## 10. (Loss)/earnings per Share

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

The calculation of basic (loss)/earnings per share is based on a loss attributable to shareholders of HK\$41,814,000 (2004: a profit of HK\$5,537,000) and the weighted average of 1,061,627,920 shares (2004: 1,061,627,920 shares) in issue during the year.

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

Diluted (loss)/earnings per share for the years ended 31 March 2005 and 2004 are not presented because the existence of the potential shares outstanding during the both years have an anti-dilutive effect on the calculation of diluted (loss)/earnings per share.

## 11. Comparative Figures

Certain comparative figures have been reclassified to conform with the current's year presentation.

## EXTRACT OF THE AUDITORS' OPINION

### Fundamental uncertainty

The auditors, in forming their opinion, have considered the adequacy of the disclosure made in the financial statements concerning the ability of the Company and the Group to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the continuing financial support from a major shareholder of the Company, and the successful extension of repayment schedule for the note payable and the promissory note. The possible failure of the Company and the Group to continue as a going concern could result in certain assets realising significantly less than the amounts stated in the balance sheets, and the non-current assets and liabilities being reclassified as current assets and liabilities, and might lead to additional liabilities being incurred by the Company and the Group. The auditors consider that the fundamental uncertainty has been adequately disclosed in the financial statements and their opinion is not qualified in this respect.

## **DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 March 2005 (2004: Nil).

## **BUSINESS REVIEW**

### **Hi-tech electronic**

The turnover of the hi-tech electronic business during the year has been up-surged by 113.9% to approximately HK\$173.3 million (2004: about HK\$81 million). Profit from its operation for the year increased by 74.7% to HK\$15.2 million (2004: about HK\$8.7 million). The business mainly involved the trading of mobile terminal products and the provision of mobile phone software. According to the Ministry of Information Industry, total number of mobile users in China has reached 344 million in February 2005 and China has become the largest mobile market in year 2005 and still has potential growth in the future. Nevertheless, the Company shall continue to face competition and the management shall prudently look for opportunities to diversify its business.

### **Electronic materials**

Turnover of electronic materials trading during the year was increased by about 20% to approximately HK\$58.6 million (2004: about HK\$48.8 million) due to the rising demand on electronic products related materials and increased selling price.

For the 12 months ended 31 December 2004, Tongling Huarui Electronic Material Co. Ltd (renamed as Goldwiz Huarui (Tongling) Electronic Material Co. Ltd.) (“Goldwiz Tongling”), an associated company of the Company, recorded a net profit of RMB5.6 million (about HK\$5.28 million) as compared with RMB5.57 million (about HK\$5.25 million) of the preceding year. Upon our review of its financial performance up to the financial year ended 31 March 2005, the Company has for prudent purpose made certain provisions (2004: Nil) and consequently the Company shared a loss after tax for about HK\$1 million for the year. Immediately subsequent to the balance sheet date, the Company has completed further acquisition of Goldwiz Tongling which is now a non wholly-owned subsidiary of the Company. The management of the Group will strive to strengthen the overall operational management and production.

### **Hotel operations**

Turnover of Harbour Plaza Kunming (the “Hotel”) during the year was increased by 5.2% to approximately HK\$52.7 million (2004: about HK\$50.1 million) which represented 18.6% (2004: 27.9%) of the Group’s total turnover. Profit from operation of the Hotel for the year increased by 89.9% to approximately HK\$13.1 million (2004: about HK\$6.9 million). The Hotel shall continue to face keen competition within Kunming. However, according to the local government report, hotel room supply among the competitive sector shall remain unchanged over the next three years and no significant change in competition is expected. The Hotel shall continue to focus on key feeder-market cities such as Beijing, Shanghai, Guangzhou, Hong Kong and overseas markets to identify and to establish a strong corporate client base. The Hotel is still managed by Harbour Plaza Hotel Management Limited.

### **Strategic investment**

For the six months ended 31 December 2004, Techwayson Holdings Limited (“Techwayson”) recorded an unaudited consolidated turnover of RMB99.5 million (about HK\$93.9 million) as compared with RMB197.3 million (about HK\$186.1 million) of the corresponding period of year 2003. The drop in turnover was mainly due to the PRC government’s control measure on the infrastructure and fixed assets investments since the second half of year 2004. As a result, the Company shared of loss after tax for approximately HK\$0.8 million from Techwayson for the financial year ended 31 March 2005. In view of the downtrend of Techwayson’s business performance, the Group has made a provision of impairment for approximately HK\$37.1 million (2004: Nil) during the year. Techwayson shall place continuous emphasis on the specialized controllers market and boost the product development and marketing of value-added OEM application and automation application software and strengthening its sales force.

### **Property investment/development**

With the explosive growth in the commercial and residential property sectors in year 2004, Shanghai has become one of China’s hottest property markets. Pre-sale activities of the 科維大廈 in Shanghai for 9th to 30th floor have been completed and the total floor area sold represented more than 50% of the total saleable area. The remaining saleable units will be kept by the development company strategically which shall sell them to the market in the future when it is thought fit. Interior work for the sold units is under progress and expected to be completed in mid 2006. With the satisfactory result of the pre-sale activities, the Company expects to receive the repayment of shareholder’s loan from the investee company before the financial year end of 2006.

## **FINANCIAL REVIEW**

At 31 March 2005, the Group had cash balance of approximately HK\$46.3 million (2004: about HK\$79.7 million). At 31 March 2005, the total borrowings of the Group were approximately HK\$162.2 million (2004: about HK\$94 million). The borrowings consist of bank loans of RMB150 million (about HK\$141 million) (2004: about HK\$94 million) and a renewed six-month term loan of HK\$21.2 million (2004: nil). All the borrowings are secured by corporate guarantee given by the Company and/or a subsidiary and the term-loan is also secured by the pledging of certain assets of the Group. The loans were primarily borrowed to finance the operation of the hi-tech electronic business and the general working capital of the Group.

At 31 March 2005, the current liabilities of the Group included an outstanding amount of HK\$39.5 million in respect of the secured promissory note and the principal amount of HK\$155 million for the redemption of the secured convertible note which was expired on 8 November 2004.

### **Charge on assets**

At 31 March 2005, 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.

At 31 March 2005, (i) first floating charges over all undertaking assets and property of the Company and one of its subsidiaries, (ii) share mortgage over all the issued shares in that subsidiary, (iii) assignment of shareholders' loan owed by the Group and (iv) personal guarantee from a director of the Company were continuously made to secure the renewed 6-month term loan advanced to the subsidiary during the year.

### **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 31 March 2005, the Company had contingent liabilities amounting to HK\$162.2 million (2004: about HK\$94 million) due to the provision of corporate guarantee in connection with the borrowings granted to its subsidiaries.

## **OUTLOOK**

During the year under review, the Company has taken prudent steps to maintain a healthy operational margin, and at the same time to control the administrative cost. The year ahead will be a challenging year for the Group 1) as the Chinese government was determined to control the over-heated housing market and to cool down the overall economy; 2) as the competition level from both domestic and international players will be accelerated as part of the WTO obligation for China; and 3) as the uncertainty of RMB currency exchange is mounting globally; and 4) as the energy price (oil and gas) is surging globally.

One of the significant equity investments the Group made over the past 15 months was the additional share acquisition of Goldwiz Tongling. The management of the Company believes that the share acquisition in the long run could position the Group in the top tier of the global CCL (copper clad laminate) manufactures.

In light of the aforementioned competitive landscape in China, the Group needs to keep a tight rein on its operational and financial control, and to strengthen its work force. The Group will further control its operational and financial cost to maintain a stabilized profit margin. Implementation of a successful human resources strategy will be another key factor in which more resources will have to be allocated to the training of personnel and to the continual recruitment of quality work force.

In addition to cost reduction, a systematic corporate governance practice will be introduced and enforced within the Group. The practice will not only improve the efficiency of the Company, but also be fully in compliance with regulatory rules and orders.

Barring unforeseen circumstances, the Company is convinced that it is moving steadily into the right direction and expects that the business in these selected industries will be able to generate reasonable return. However, the Company will always be open to taken in investment opportunities that will bring in healthy return.



## **EMPLOYEES**

As at 31 March 2005, the Group employed about 493 employees, of which 422 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 the 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.

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

During the year ended 31 March 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

To comply with the revised Code of Best Practice (the "Code") as set in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive Directors.

## **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 throughout the year ended 31 March 2005, in compliance with the Code as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005, except that the non-executive directors of the Company were not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

## **MODEL CODE**

The Company has adopted the Model Code of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2005.

## **PUBLICATION OF THE ANNUAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE**

The detailed result announcement containing all the information in respect of the Company required by Paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board  
**LIU Xue Lin**  
*Chairman*

Hong Kong, 21 July 2005

*As at the date of this announcement, the board of directors comprises four executive directors, being Messrs. Liu Xue Lin, Yao Keming, Ni Ling and Sun Yuming, and three independent non-executive directors, being Messrs. Liu Kwok Fai, Chow Siu Tong and Lai Ka Chu.*

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