

**INTERIM RESULTS**

The Board of Directors (the “Board”) of Tem Fat Hing Fung (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st October 2000.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	<i>Note</i>	<b>Unaudited Six months ended 31st October</b>	
		<b>2000</b>	<b>1999</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	1,680,361	2,580,234
COST OF SALES		<u>(1,613,465)</u>	<u>(2,425,655)</u>
GROSS PROFIT		66,896	154,579
OTHER REVENUES		26,468	21,780
SELLING AND DISTRIBUTION EXPENSES		(4,087)	(2,144)
GENERAL AND ADMINISTRATIVE EXPENSES		(72,407)	(75,913)
OTHER OPERATING EXPENSES		<u>(22,522)</u>	<u>(8,102)</u>
OPERATING (LOSS)/PROFIT	3	(5,652)	90,200
FINANCE COSTS		<u>(67,197)</u>	<u>(76,024)</u>
		(72,849)	14,176
SHARE OF PROFITS LESS LOSSES OF:			
ASSOCIATES		(131,538)	(10,895)
JOINTLY CONTROLLED ENTITIES		<u>(5,712)</u>	<u>(13,387)</u>
LOSS BEFORE TAXATION		(210,099)	(10,106)
TAXATION	4	<u>(370)</u>	<u>(6,455)</u>
LOSS AFTER TAXATION		(210,469)	(16,561)
MINORITY INTERESTS		<u>(5,680)</u>	<u>(13,913)</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(216,149)	(30,474)
DIVIDENDS	5	<u>(385)</u>	<u>(385)</u>
LOSS FOR THE PERIOD RETAINED		<u>(216,534)</u>	<u>(30,859)</u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE	6	<u>(9.34)</u>	<u>(1.36)</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>Unaudited As at 31st October 2000</b>	<b>Audited As at 30th April 2000</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		38,844	319,308
Associates	7	611,617	375,189
Jointly controlled entities		66,656	63,869
Long term receivable		–	148,000
Investment securities		–	58,246
Other assets		6,470	7,936
<b>TOTAL NON-CURRENT ASSETS</b>		<u>723,587</u>	<u>972,548</u>
<b>CURRENT ASSETS</b>			
Properties held for resale		–	1,501
Other investments		44	120
Amounts due from bullion brokerage customers		–	106,164
Bullion finance debtors		–	975,702
Loan, trade and other receivables	8	116,326	223,436
Prepayments and deposits		40,021	70,189
Inventories – other than gold bullion		2,224	77,007
Gold bullion		–	33,940
Fixed deposit – pledged	9	46,729	2,006
Cash and bank balances		5,680	18,728
<b>TOTAL CURRENT ASSETS</b>		<u>211,024</u>	<u>1,508,793</u>
<b>CURRENT LIABILITIES</b>			
Temporary deposits, accounts payable and accruals	10	192,440	575,431
Amounts due to bullion brokerage customers		–	41,528
Gold loan payables		–	8,478
Promissory notes	11	357,175	357,175
Current portion of long term bank loans	12	6,552	13,049
Other short term loans	11		
– secured		99,500	137,500
– unsecured		15,500	21,430
Short term bank loans and overdrafts	11		
– secured		167,023	206,363
– unsecured		–	12,774
<b>TOTAL CURRENT LIABILITIES</b>		<u>838,190</u>	<u>1,373,728</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(627,166)</u>	<u>135,065</u>
		<u>96,421</u>	<u>1,107,613</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		<b>Unaudited</b>	<b>Audited</b>
		<b>As at</b>	<b>As at</b>
		<b>31st October 2000</b>	<b>30th April 2000</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financed by:</i>			
Share capital	13	63,427	59,240
Reserves		(11,561)	168,029
		<u>                    </u>	<u>                    </u>
SHAREHOLDERS' FUNDS		51,866	227,269
Minority interests		641	612,802
Convertible notes		–	202,401
Long term liabilities	12	43,914	65,141
		<u>                    </u>	<u>                    </u>
		<u>96,421</u>	<u>1,107,613</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited Six months ended 31st October 2000 HK\$'000</b>
Net cash outflow from operating activities	(246,968)
Net cash outflow from returns on investments and servicing of finance	(35,771)
Net taxation paid	(1,928)
Net cash inflow from investing activities	<u>78,205</u>
Net cash outflow before financing activities	(206,462)
Net cash inflow from financing activities	<u>242,632</u>
Increase in cash and cash equivalents	36,170
Cash and cash equivalents at 30th April 2000	<u>(172,903)</u>
Cash and cash equivalents at 31st October 2000	<u><u>(136,733)</u></u>
Analysis of balances of cash and cash equivalents:	
Cash and bank balances	5,680
Short term bank loans and overdrafts	<u>(142,413)</u>
	<u><u>(136,733)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31st October</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange differences arising on translation of subsidiaries, associates and jointly controlled entities	821	2,684
Share of reserve movements of associates	121	1,686
	<hr/>	<hr/>
Net gains not recognised in the profit and loss account	942	4,370
Loss for the period	(216,149)	(30,474)
	<hr/>	<hr/>
Total recognised losses	(215,207)	(26,104)
Goodwill eliminated directly against reserves	(2,437)	–
	<hr/>	<hr/>
	<u>(217,644)</u>	<u>(26,104)</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

**1. BASIS OF PREPARATION**

These unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except that comparative figures for the condensed consolidated cash flow statement have not been prepared as the Company has taken advantage of the transitional provision set out in paragraph 37.3 of the Appendix 16 of the Listing Rules.

The comparative figures in the condensed consolidated profit and loss account for the six months ended 31st October 1999 and condensed consolidated balance sheet as at 30th April 2000 include the accounts of RNA Holdings Limited (“RNA”) as a subsidiary. On 24th June 2000, members of the Group entered into a conditional sale and purchase agreement with certain minority shareholders of a subsidiary to reorganise their beneficial interests in RNA. Upon completion of the transaction on 18th September 2000, RNA became an associate of the Group. Accordingly the results of RNA have been consolidated in the Group’s condensed consolidated profit and loss account for the six months ended 31st October 2000 up to 18th September 2000 and thereafter on an equity accounting basis. As at 31st October 2000, the Group’s investment in RNA has been equity accounted for and included in the Group’s condensed consolidated balance sheet at the Group’s share of net assets of associates.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 30th April 2000.

**2. TURNOVER**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries, associates and jointly controlled entities are refining, moulding, wholesaling and trading of gold bullion, the provision of loans and gold bullion financing; wholesaling and retailing of gold ornaments, diamond and other jewellery products; property investment, development, management and agency; provision of financial services and trading in listed investments.

An analysis of the Group's turnover and contribution to operating loss net of finance costs by principal activities for the six months ended 31st October 2000 is as follows:

	Turnover		Contribution to operating (loss)/profit net of finance costs	
	Six months ended 31st October		Six months ended 31st October	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bullion trading and loan financing operations	1,647,693	2,449,852	11,181	32,403
Jewellery operation	25,252	49,475	244	(542)
Property investment, development, management and agency	5,436	15,818	(8,095)	(12,577)
Corporate investment, business development and financial services	1,980	65,089	(51,551)	2,994
	<u>1,680,361</u>	<u>2,580,234</u>	(48,221)	22,278
Loss on disposal of investment in preference shares of a subsidiary			(24,628)	–
Profit on deemed partial disposal of a subsidiary			–	8,197
Loss on deemed disposal of an associate			–	(2,552)
Loss on partial disposal of subsidiaries			–	(13,747)
			<u>(72,849)</u>	<u>14,176</u>

No analysis of the Group's turnover and contribution to operating loss net of finance costs by geographical locations is presented as more than 90% of the Group's turnover and operating loss were generated in Hong Kong.

**3. OPERATING (LOSS)/PROFIT**

Operating (loss)/profit is stated after crediting and charging the following:

	<b>Six months ended 31st October</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Crediting</b>		
Gain on disposal of investment securities	–	882
Profit on deemed partial disposal of a subsidiary	–	8,197
	<u>–</u>	<u>8,197</u>
<b>Charging</b>		
Cost of gold bullion and inventories sold	1,613,090	2,485,707
Staff costs	20,564	33,753
Loss on disposal of investment in preference shares of a subsidiary	24,628	–
Depreciation	7,149	8,882
Operating leases on land and buildings	6,722	6,356
Loss on partial disposal of subsidiaries	–	13,747
Loss on deemed disposal of an associate	–	2,552
	<u>–</u>	<u>2,552</u>

**4. TAXATION**

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	<b>Six months ended 31st October</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Company and subsidiaries:</b>		
Hong Kong profits tax	132	6,238
Overseas taxation	23	29
	<u>155</u>	<u>6,267</u>
<b>Associates:</b>		
Hong Kong profits tax	215	123
Overseas taxation	–	65
	<u>215</u>	<u>188</u>
	<u>370</u>	<u>6,455</u>

Deferred taxation has not been accounted for as there were no significant timing differences.



5. DIVIDENDS

	Six months ended	
	31st October	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Preference dividend payable of HK\$0.151 per preference share on 2,551,990 preference shares* (1999: HK\$0.151 on 2,551,990 preference shares)	385	385

\* Preference dividend is paid at 6 per cent. per annum on the notional value of HK\$5 per preference share to be paid half yearly on 30th June and 31st December in each year.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders after preference dividend for the six months ended 31st October 2000 of HK\$216,534,000 (six months ended 31st October 1999: HK\$30,859,000) and on the weighted average of 2,317,576,566 (1999: 2,267,508,631) ordinary shares in issue during the period.

The diluted loss per share for both periods are not shown as the effect was anti-dilative.

7. ASSOCIATES

The Group's share of net assets of associates is mainly represented by the Group's share of the net assets of RNA and Can Do Holdings Limited ("Can Do"), both listed on The Stock Exchange of Hong Kong Limited. The assets and liabilities of RNA as at 31st October 2000 and Can Do as at 30th September 2000 together with their respective turnover and profit or loss attributable to shareholders for the six months ended 31st October 2000 and for the six months ended 30th September 2000, as extracted from their latest unaudited interim financial statements, are set out below:

	RNA	Can Do
	As at	As at
	31st October 2000	30th September 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term assets	495,457	1,148,054
Current assets	1,504,191	16,343
Current liabilities	(607,860)	(219,580)
Long term liabilities and minority interests	(299,066)	(309,307)
Turnover	3,104,629	11,300
Profit / (loss) attributable to shareholders	21,592	(62,542)

7. ASSOCIATES (Continued)

The assets and liabilities of RNA as at 30th April 2000 and of Can Do as at 31st March 2000 together with their respective turnover and profit or loss attributable to shareholders for the year ended 30th April 2000 and for the year ended 31st March 2000, as extracted from their latest audited financial statements are set out below:

	RNA As at 30th April 2000 <i>HK\$'000</i>	Can Do As at 31st March 2000 <i>HK\$'000</i>
Long term assets	518,004	1,495,341
Current assets	1,366,349	5,428
Current liabilities	(537,661)	(375,036)
Long term liabilities and minority interests	(274,249)	(437,435)
Turnover	5,432,370	22,732
Profit / (loss) attributable to shareholders	<u>20,677</u>	<u>(52,305)</u>

8. LOAN, TRADE AND OTHER RECEIVABLES

	As at 31st October 2000 <i>HK\$'000</i>	As at 30th April 2000 <i>HK\$'000</i>
Trade debtors	6,164	55,466
Loan receivables	103,010	121,286
Other receivables	<u>7,152</u>	<u>46,684</u>
	<u>116,326</u>	<u>223,436</u>

The ageing analysis of trade debtors is as follows:

	As at 31st October 2000 <i>HK\$'000</i>	As at 30th April 2000 <i>HK\$'000</i>
0-3 months	381	15,292
Over 3 months	<u>5,783</u>	<u>40,174</u>
	<u>6,164</u>	<u>55,466</u>

The maturity of loan receivables is analysed as follows:

	As at 31st October 2000 <i>HK\$'000</i>	As at 30th April 2000 <i>HK\$'000</i>
Repayable on demand	10,370	24,954
Within one year	<u>92,640</u>	<u>96,332</u>
	<u>103,010</u>	<u>121,286</u>

**9. FIXED DEPOSIT – PLEDGED**

As at 31st October 2000, the fixed deposit was pledged to secure a short term bank loan granted to the Group.

**10. TEMPORARY DEPOSITS, ACCOUNTS PAYABLE AND ACCRUALS**

As at 31st October 2000, the balance mainly represented deposits received, other payables and accrued expenses. As at 30th April 2000, included in the balance was an amount of HK\$197,857,000 trade payables which were aged within one year.

**11. PROMISSORY NOTES, OTHER LOANS, SHORT TERM BANK LOANS AND OVERDRAFTS**

The promissory notes, other loans, short term bank loans and overdrafts are all repayable within one year.

**12. LONG TERM LIABILITIES**

	<b>As at 31st October 2000</b>	<b>As at 30th April 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term bank loans		
– secured and not wholly repayable within five years	26,241	26,715
– secured and wholly repayable within five years	24,225	50,500
– unsecured and not wholly repayable within five years	–	975
	<u>50,466</u>	<u>78,190</u>
<i>Less: Amounts due within one year and included in current liabilities</i>	<u>(6,552)</u>	<u>(13,049)</u>
	<u><u>43,914</u></u>	<u><u>65,141</u></u>

At 31st October 2000 and 30th April 2000, the Group's bank loans are repayable as follows:

	<b>As at 31st October 2000</b>	<b>As at 30th April 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	6,552	13,049
In the second year	6,682	13,665
In the third to the fifth year	19,629	32,811
After the fifth year	<u>17,603</u>	<u>18,665</u>
	<u><u>50,466</u></u>	<u><u>78,190</u></u>

**13. SHARE CAPITAL**

	Ordinary shares of HK\$0.025 each		6% convertible cumulative redeemable preference shares of HK\$1 each		Total HK\$'000
	Number of Shares	HK\$'000	Number of Shares	HK\$'000	
<i>Authorised:</i>					
At 30th April 2000	4,000,000,000	100,000	100,000,000	100,000	200,000
Increase in authorised share capital ( <i>Note(a)</i> )	<u>2,800,000,000</u>	<u>70,000</u>	<u>–</u>	<u>–</u>	<u>70,000</u>
At 31st October 2000	<u>6,800,000,000</u>	<u>170,000</u>	<u>100,000,000</u>	<u>100,000</u>	<u>270,000</u>
<i>Issued and fully paid:</i>					
At 30th April 2000	2,267,508,631	56,688	2,551,990	2,552	59,240
Issue of shares ( <i>Note(b)</i> )	<u>167,500,000</u>	<u>4,187</u>	<u>–</u>	<u>–</u>	<u>4,187</u>
At 31st October 2000	<u>2,435,008,631</u>	<u>60,875</u>	<u>2,551,990</u>	<u>2,552</u>	<u>63,427</u>

*Notes:*

- (a) Pursuant to a special resolution passed on 31st October 2000, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$270,000,000 by the creation of 2,800,000,000 additional ordinary shares of HK\$0.025 each.
- (b) Pursuant to the placing and the subscription agreement dated 23rd August 2000, the Company issued 167,500,000 new ordinary shares at HK\$0.26 per share on 6th September 2000 to third parties. Total proceeds from the aforesaid issue and allotment, net of related expenses, amounted to approximately HK\$42.6 million of which HK\$4,187,000 was credited to the share capital account and HK\$38,439,000, being the premium on issue of ordinary shares less related expenses, to the share premium account.

**14. RELATED PARTY TRANSACTIONS**

In addition to those disclosed elsewhere in these interim financial statements, the significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Six months ended 31st October	
	2000 HK\$'000	1999 HK\$'000
Interest income received from associates	11,211	1,058
Consultancy fee received from jointly controlled entities	<u>1,200</u>	<u>1,200</u>

**15. CAPITAL COMMITMENTS**

The Group did not have any material capital commitments as at 31st October 2000.

**16. COMMITMENTS UNDER OPERATING LEASES**

At 31st October 2000, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	<b>As at 31st October 2000</b>	<b>As at 30th April 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
– within one year	1,219	1,701
– in the second to the fifth year inclusive	9,330	14,365
	<u>10,549</u>	<u>16,066</u>

**17. CONTINGENT LIABILITIES**

	<b>As at 31st October 2000</b>	<b>As at 30th April 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees have been given in respect of banking facilities made available to jointly controlled entities (an amount of HK\$169,830,000 was utilised as at 31st October 2000 (as at 30th April 2000: HK\$169,370,000))	169,830	169,370
Guarantees in respect of certain obligations of an associate ( <i>Note</i> )	283,000	418,000
	<u>452,830</u>	<u>587,370</u>

*Note:*

The Company has given corporate guarantees to the extent of HK\$283 million (as at 30th April 2000: HK\$418 million) in favour of a third party in respect of certain acquisitions by Can Do. The amount included HK\$63 million repayable in December 2000 and HK\$85 million repayable in year 2002. The remaining HK\$135 million is in connection with a proposed acquisition of properties by Can Do which was not yet been completed at the date of approval of these interim financial statements.

**18. POST BALANCE SHEET EVENTS**

- (a) Pursuant to the placing and the subscription agreements dated 10th January 2001, the Company issued 133,064,000 new ordinary shares at HK\$0.243 per share on 22nd January 2001 for a consideration, net of related expenses, of approximately HK\$31 million.

**18. POST BALANCE SHEET EVENTS** *(Continued)*

- (b) On 30th January 2001, a conditional placing agreement was entered into between the Company and a third party pursuant to which the third party agreed to procure subscribers, on a best efforts basis, to subscribe for convertible notes (the “Notes”) in the aggregate principal amount of HK\$357,000,000 to be issued by the Company. The Notes, if and when issued, shall bear interest at 8% per annum payable semi-annually. The holders of the Notes (the “Noteholders”) shall be entitled to convert the Notes into shares of the Company, at any time, at a conversion price of HK\$0.3144 per share, subject to adjustment. The Company may, subject to giving written notice to the Noteholders in accordance with the terms of the Notes, elect to redeem the whole or any part of the Notes.

The outstanding principal amount of the Notes together with accrued interest thereon, net of the amounts previously converted on redeemed in accordance with the terms of the Notes, shall be fully repaid on the third anniversary of the date of issue of the Notes.

The issue of the Notes is conditional upon the fulfillment of certain terms and conditions on or before 27th April 2001. Should the Notes be issued by the Company, the entire proceeds, net of related expenses, shall be applied towards partial repayment of the Company’s promissory notes due to a third party amounted to HK\$357,175,000. As at the date of approval of these interim financial statements, no Notes have been issued.

**INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend (1999: Nil) for the six months ended 31st October 2000.

**BUSINESS REVIEW**

**Financial Results**

The Group recorded turnover of HK\$1,680.4 million for the six months ended 31st October 2000, a decrease of HK\$899.9 million as compared to the corresponding period in 1999. The decrease in turnover was mainly attributable to the disposal of an interest in RNA in September 2000. Thereafter, RNA has become an associate of the Group and its results have been accounted for by the Group under the equity accounting method. Details of the above reorganization are set out under the heading of Subsidiaries, Associates and Jointly Controlled Entities below.

The loss attributable to shareholders was HK\$216.1 million compared with HK\$30.5 million for the corresponding period in 1999. The increase of HK\$185.6 million in loss was primarily attributable to the following:

- (1) increase in share of loss of an associate of approximately HK\$130 million;
- (2) decrease in share of profit of RNA of approximately HK\$21 million; and
- (3) loss on disposal of preference shares of RNA of HK\$24.6 million.

### **Subsidiaries, Associates and Jointly Controlled Entities**

As disclosed in the Company's audited financial statements for the year ended 30th April 2000, a conditional sale and purchase agreement was entered into between Chimstar Limited ("Chimstar") and its shareholders on 24th June 2000 to reorganize their indirect shareholdings in RNA held through Chimstar. Pursuant to the agreement, Chimstar agreed to sell its 11.72% beneficial interest in RNA to other third-party shareholders for a consideration of approximately HK\$33 million. The above reorganization was completed on 18th September 2000, and RNA has been an associate of the Group since then.

Chain Gold Agents Limited, a wholly owned subsidiary of the Company, also entered into sale and purchase agreements with three independent investors on 25th August 2000 to dispose of an aggregate of 25,400,000 6% convertible redeemable preference shares in the capital of RNA for an aggregate consideration of approximately HK\$102 million. The disposal was completed on 31st August 2000 and the convertible redeemable preference shares were subsequently converted fully into ordinary shares of RNA. Accordingly, the Group's beneficial interest in RNA was diluted from approximately 42.38% to approximately 37.84%.

The Group has an approximately 33.71% interest in Can Do. For the six months ended 30th September 2000, Can Do recorded a net loss of HK\$62.5 million and a write down of carrying value of a property under redevelopment in the amount of HK\$339.3 million.

### **Liquidity and Capital Resources**

During the period under review, a placement and subscription exercise was undertaken by the Company of 167,500,000 ordinary shares at HK\$0.26 per ordinary share. The placing and subscription raised net proceeds of approximately HK\$41 million and was completed in September 2000.

As at 31st October 2000, the Group had bank loans and overdrafts of HK\$217.5 million, other short term loans of HK\$115 million and promissory notes of HK\$357.2 million. Of these borrowings, approximately HK\$317 million was secured by certain assets of the Group.

In September 2000, the Company entered into a conditional placing agreement with an independent third party (the "Third Party") pursuant to which the Third Party agreed to procure subscribers to subscribe in cash for redeemable convertible notes with an aggregate principal amount of HK\$240 million to be issued by the Company. Subsequent to the balance sheet date, the aforesaid placing agreement has been terminated and replaced by a new conditional placing agreement between the same parties as were the parties to the previous placing agreement, details of which are set out in note 18(b) to the condensed interim financial statements.

As of 31st October 2000, the Group did not have any material capital commitments and the contingent liabilities of the Group was reduced to HK\$452.8 million from HK\$587.4 million as at 30th April 2000, the date to which the latest audited financial statements of the Group were made up.

## **REVIEW OF OPERATION**

Can Do, the property arm of the Group, has approximately 71% of the gross floor area of Golden Plaza rented as at 30th September 2000.

In September 2000, Can Do entered into a sale and purchase agreement with a wholly owned subsidiary of China National Real Estate Development Group Corporation to acquire two property projects in China. Details of which were included in the circular of Can Do dated 3rd November 2000. However, negotiation is taking place and may lead to variation of major terms of the said agreement.

RNA's jewellery consultancy services in China and jewellery retail management in both China and Malaysia have established a prominent image of RNA in the region. In view of the China's upcoming entry into the World Trade Organization and the expecting deregulation of the China gold market, the Board is confident that RNA will benefit from the immense potential in the market.

Subsequent to the six months ended 31st October 2000, RNA successfully spun-off its electronic trading platform development division and listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited under the name of Trasy Gold Ex Limited in December 2000. TRASY, the online bullion trading system is in service and its unique features have received favourable response from users.

In January 2001, the Company, through its wholly-owned subsidiary Tem Fat Hing Fung Capital (BVI) Ltd., has entered into a memorandum of understanding with Majestic Star Holdings Ltd. in relation to the proposed acquisition of 20 to 35 per cent. equity interest in a company which provides video-on-demand technology in the PRC.

In January 2001, the Group appointed Dr. Kary B. Mullis, Nobel Prize-Winner in Chemistry, as Chief Advisor of the Group to develop, introduce and monitor potential biotechnology investments of the Group.

In January 2001, the Company through a placing and subscription exercise placed out 133,064,000 ordinary shares at HK\$0.243 per share to independent investors and raised net proceeds of approximately HK\$31 million.

## **PROPOSED PLACEMENT AND/OR ISSUANCE OF SECURITIES**

The Company issued a press announcement on 19th January 2001 in which the Company announced the possible placement and/or issuance of securities to third parties. Up to the date of this announcement, no terms have yet been reached. The Board expects the final terms of a possible placement will be agreed shortly and a separate announcement will be made when appropriate.



**DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES**

As at 31st October 2000, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) and the details of any right to subscribe for equity or debt securities of the Company granted to any of them, and the exercise of such rights, as recorded in the register required to be kept under section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:-

<b>Name of Director</b>	<b>Type of interests</b>	<b>Number of ordinary shares/ Number of share options</b>	<b>Name of company</b>
Mr. Chan Fat Chu, Raymond	Corporate <i>(Note 1)</i>	213,257,652 ordinary shares	the Company
Mr. Chan Fat Chu, Raymond	Personal <i>(Note 2)</i>	399,145,408 ordinary shares	the Company
Mr. Chan Fat Chu, Raymond	Corporate <i>(Note 1)</i>	1,017,500 ordinary shares	RNA
Mr. Chan Fat Chu, Raymond	Personal	1,912,500 ordinary shares <i>(Note 2)</i> / 30,636,000 share options	RNA
Mr. Chan Fat Leung, Alexander	Corporate <i>(Note 1)</i>	213,257,652 ordinary shares	the Company
Mr. Chan Fat Leung, Alexander	Personal <i>(Note 3)</i>	399,145,408 ordinary shares	the Company
Mr. Chan Fat Leung, Alexander	Corporate <i>(Note 1)</i>	1,017,500 ordinary shares	RNA
Mr. Chan Fat Leung, Alexander	Personal	1,912,500 ordinary shares <i>(Note 2)</i> / 30,636,000 share options	RNA
Mr. Lo Chi Kin, Andie	Personal	1,000,800 ordinary shares/ 12,500,000 share options	RNA

*Notes:*

1. Falcon Investment Company Limited (“Falcon”) held 213,257,652 ordinary shares of the Company, 1,017,500 ordinary shares in RNA. Falcon is a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander and their family members. Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander are deemed to be interested in these shares in accordance with the SDI Ordinance as Falcon is accustomed to act in accordance with their directions or instructions.
2. Mr. Chan Fat Chu, Raymond is beneficially interested in these shares which are held by Regent Investment Company Limited, a company beneficially owned by Mr. Chan Fat Chu, Raymond.
3. Mr. Chan Fat Leung, Alexander is beneficially interested in these shares which are held by Admiralty Investment Company Limited, a company beneficially owned by Mr. Chan Fat Leung, Alexander.
4. Share options of RNA referred to in this section mean the options granted to employees of RNA pursuant to the share option scheme adopted by RNA on 8th November, 1996. The option holders are entitled to subscribe for Ordinary shares of HK\$0.10 each in the capital of RNA at any time from the date of acceptance by the option holders to any date prior to the tenth anniversary of such date.

Save as disclosed herein, none of the directors and their associates had any interests in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) and any right to subscribe for equity or debt securities of the Company granted to any of them, and the exercise of such rights, which are required to be recorded in the register under section 29 of the SDI Ordinance or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**Substantial shareholders**

As at 31st October 2000, the interests of every person, other than the directors of the Company, in the equity securities of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance and the amount of such interests were as follows:–

<b>Name of shareholder</b>	<b>Number of ordinary shares</b>
Admiralty Investment Company Limited	399,145,408
Regent Investment Company Limited	399,145,408

Save as aforesaid, no person other than the directors of the Company was interested in the equity securities of the Company which are required to be recorded in the register kept under section 16(1) of the SDI Ordinance.

## PRACTICE NOTE 19 TO THE LISTING RULES

### Financial assistance and guarantees to affiliated companies

*Yetcome Investments Limited (“Yetcome”) / T&T Properties Sdn. Bhd. (“T&T”)*

The Company entered into a shareholders agreement (“Yetcome Shareholders Agreement”) with, amongst others, two independent third parties (the “Yetcome Shareholders”) on 11th February 1993 pursuant to which the parties set out the terms and conditions on which a joint venture company, Yetcome (the British Virgin Islands incorporated holding company of T&T), would be operated. The purpose of setting up Yetcome and its wholly-owned subsidiary, T&T, was to develop a complex consisting of an office tower, a retail podium, car park spaces and related facilities (“Complex A”) together with a hotel complex (“Complex B”) in Johor Bahru, Malaysia. Pursuant to the Yetcome Shareholders Agreement, the Company agreed to make pro rata shareholders loans to Yetcome. The Company has a 33.33% equity interest in the project companies owning 70% interests of Complex A and a 66.67% equity interest in Complex B.

Pursuant to the Yetcome Shareholders Agreement, the Company made loans in the aggregate amount of HK\$12,765,602, representing approximately 24.61% of the Group’s net asset value which is based on its latest unaudited consolidated accounts for the period ended 31st October 2000, to various immediate holding companies of Yetcome. The immediate holding companies relating to Complex A and Complex B are owned effectively as to 33.33% (out of 70%) and as to 66.67% by the Company respectively. In addition, the Company also made loans amounting to HK\$92,184,879, representing approximately 177.74% of the Group’s net asset value which is based on its latest unaudited consolidated accounts for the period ended 31st October 2000, to Yetcome as at 31st October 2000. The loans to Yetcome and various immediate holding companies are unsecured, interest free and repayable on demand.

Pursuant to a facility agreement (“Previous Facility Agreement”) entered into between T&T and various banks and financial institutions on 4th August 1995, T&T obtained a syndicated dual currency construction financing facility (“Previous Facilities”) of RM190,000,000 (equivalent to approximately HK\$387,144,000) and US\$25,000,000 (equivalent to approximately HK\$193,500,000) and standby letters of credit facility of RM40,000,000 (equivalent to approximately HK\$81,504,000) and US\$5,000,000 (equivalent to approximately HK\$38,700,000). The facility denominated in Malaysian Ringgits is for the construction of Complex A (“Complex A Facility”) and the facility denominated in US Dollars is for the construction of Complex B (“Complex B Facility”).

The Previous Facilities were drawn up to a maximum of RM142,600,000 and US\$14,880,000 and the term loan facilities expired on 30th August 1999. Pursuant to a facility agreement (“Facility Agreement”) entered into between T&T and various banks and financial institutions on 16th August 1999, T&T obtained a syndicated dual currency refinancing facility of RM149,000,000 (equivalent to approximately HK\$303,602,000) and US\$11,500,000 (equivalent to approximately HK\$89,700,000) and standby letter of credit facility of RM26,000,000 (equivalent to approximately HK\$52,978,000). The facility in a principal amount of RM136,000,000 (“Tranche A Facility”) is for refinancing the portion of the Previous

Facilities for the construction of Complex A and the facility in a principal amount of RM13,000,000 and US\$11,500,000 (“Tranche B Facility”) is for refinancing the portion of the Previous Facilities for the construction of Complex B.

As security arrangements for the Facility Agreement, the Company gave the following guarantees and undertakings:

- (i) With respect to Tranche A Facility, the Company agreed severally with the relevant Yetcome Shareholders to guarantee, pro rata to their respective equity interests in the relevant project, the repayment to the relevant banks and financial institutions all principal, interest, commission, costs and charges as may be due and payable for 33.33% of the relevant amount. Tranche A Facility has been utilised up to RM136,000,000 (equivalent to approximately HK\$277,114,000) as at 31st October 2000 and the Company’s liability under these guarantee and indemnity arrangements amounted to approximately HK\$92,371,000 as at 31st October 2000, representing approximately 178.10% of the Group’s net asset value, based on its unaudited consolidated accounts for the period ended 31st October 2000.
- (ii) With respect to Tranche B Facility, the Company agreed severally with the relevant Yetcome Shareholders to guarantee, pro rata to their respective equity interests in the relevant project, the repayment to the relevant banks and financial institutions all principal, interest, commission, costs and charges as may be due and payable for 66.67% of the relevant amount. Tranche B Facility has been utilised up to RM13,000,000 (equivalent to approximately HK\$26,489,000) and US\$11,500,000 (equivalent to approximately HK\$89,700,000) as at 31st October 2000 and the Company’s liability under these guarantee and indemnity arrangements amounted to approximately HK\$77,459,000 as at 31st October 2000, representing approximately 149.34% of the Group’s net asset value, based on its latest unaudited consolidated accounts for the period ended 31st October 2000.
- (iii) In accordance with two shareholders guarantee and indemnity agreements both dated 16th August 1999 entered into by the relevant Yetcome Shareholders and the relevant banks and financial institutions, the Company undertook to provide additional funds to the extent of its interests in Complex A and Complex B. As at 31st October 2000 and as far as the Company is aware, there is no cash deficiency in relation to the relevant projects.

As at 31st October 2000, Yetcome had no material capital commitment for Complex A and Complex B.

In conclusion, as a result of the loan and financing arrangements set out above, the aggregate of all amounts due from and all guarantees given to secure the obligations of various affiliated companies amounts to approximately HK\$274,781,000, representing approximately 529.79% of the Group’s net asset value, based on its unaudited consolidated accounts for the period ended 31st October 2000.

# TEM FAT HING FUNG (HOLDINGS) LIMITED

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Set out below is the unaudited pro-forma combined balance sheet of the above affiliated companies as at 31st October 2000 being the latest practicable date for the preparation of such balance sheet:

	<b>As at 31st October 2000</b>	<b>Attributable interest</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	433,749	165,021
Property under development	195,576	130,384
Investment property for sale	145,752	48,584
Other assets	25,574	13,433
Current assets	<u>14,882</u>	<u>6,895</u>
Total assets	815,533	364,317
Current liabilities	(131,713)	(71,418)
Long term liabilities	(573,230)	(269,416)
Minority interests	<u>(31,262)</u>	<u>(10,421)</u>
	<u><u>79,328</u></u>	<u><u>13,062</u></u>

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

During the period under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the period under review.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

**CORPORATE GOVERNANCE**

None of directors is aware of any information that would reasonably indicate that the Company is not, or was not during the period under review in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting in accordance with the provisions of the Company's Bye-Laws.

On behalf of the Board  
**Chan Fat Chu, Raymond**  
*Chairman*

Hong Kong, 30th January 2001