

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Directors”) of Silvernet Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim report of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2001, together with the comparative figures for the six months ended February 29, 2000, as follows:

Condensed Consolidated Income Statement

		Six months ended	
		30.6.2001	29.2.2000
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2 & 3	4,383	66,639
Cost of sales		(3,871)	(39,983)
		512	26,656
Other revenue		7,318	2,409
Selling and administration costs		(10,722)	(49,185)
Other operating expenses		(4,439)	(34)
Loss from operations before finance costs	4	(7,331)	(20,154)
Finance costs	5	(1,178)	(4,772)
Loss from operations		(8,509)	(24,926)
Share of results of associates		2,732	–
Loss before tax		(5,777)	(24,926)
Taxation	6	(789)	–
Loss after tax		(6,566)	(24,926)
Minority interest		461	–
Net loss for the period		(6,105)	(24,926)
Dividend	7	–	–
Loss retained for the period		(6,105)	(24,926)
Loss per share – basic (cents)	8	(0.17)	(2.38)

Consolidated Statement of Recognised Gains and Losses

	Six months ended	
	30.6.2001 (unaudited) <i>HK\$'000</i>	29.2.2000 (unaudited) <i>HK\$'000</i>
Exchange differences arising on translation of overseas operations not recognised in the income statement	156	(117)
Loss for the period	(6,105)	(24,926)
Total recognised gains and losses	(5,949)	(25,043)

Condensed Consolidated Balance Sheet

	<i>Notes</i>	At 30.6.2001 (unaudited) <i>HK\$'000</i>	At 31.12.2000 (audited) <i>HK\$'000</i>
		Non-current assets	
Investment properties		58,300	62,600
Property, plant and equipment	9	19,685	18,701
Goodwill		45,891	3,202
Interests in associates		160,038	168,102
Investment in securities		88,445	61,737
Deposits for investment projects		–	97,286
Other deposits		22,600	15,600
		394,959	427,228
Current assets			
Deposits and prepayments		14,138	15,762
Amount due from a minority shareholder of a subsidiary		165	2,770
Amount due from an associated company		5,087	–
Dividend receivable		6,942	–
Bank balances, deposits and cash		145,120	114,626
		171,452	133,158

		At 30.6.2001 (unaudited) <i>HK\$'000</i>	At 31.12.2000 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Provisions and accrued charges		3,889	3,967
Amount due to a shareholder		4,892	4,892
Loan from a minority shareholder of a subsidiary		753	753
Secured bank borrowings			
– due within one year		2,084	1,103
Obligations under a hire purchase contract			
– due within one year		3	10
		<u>11,621</u>	<u>10,725</u>
Net current assets		<u>159,831</u>	<u>122,433</u>
		<u>554,790</u>	<u>549,661</u>
Capital and reserves			
Share capital	<i>10</i>	363,225	363,430
Reserves	<i>11</i>	129,561	135,722
		<u>492,786</u>	<u>499,152</u>
Minority Interests		32,563	19,237
Non-current liabilities			
Secured bank borrowings			
– due after one year		29,441	31,272
		<u>554,790</u>	<u>549,661</u>

Condensed Consolidated Cash Flow Statement

	Six months ended 30.6.2001 (unaudited) <i>HK\$'000</i>
Net cash inflows from operating activities	43,354
Net cash inflow from returns on investments and servicing of finance	2,255
Net cash outflow from investing activities	<u>(37,245)</u>
Net cash inflow before financing activities	8,364
Net cash inflow from financing activities	<u>14,330</u>
Increase in cash and cash equivalents	22,694
Cash and cash equivalents at the beginning of the period	<u>114,626</u>
Cash and cash equivalents at the end of the period	<u><u>137,320</u></u>
Analysis of cash and cash equivalents	
Cash and bank balances	145,120
Less: pledged time deposit	<u>(7,800)</u>
	<u><u>137,320</u></u>

Notes:

1. Accounting policies

a Basis of preparation

The unaudited interim financial statements of the Group have been prepared in compliance with Hong Kong Statements of Standard Accounting Practice (the "SSAP") No. 25 "Interim financial reporting", and on a basis consistent with the accounting policies as adopted in the Group's audited financial statements for the period ended December 31, 2000.

b Comparative figures

Certain comparative figures have been restated in order to conform with the presentation of the interim financial statements as required under SSAP 1 (revised) "Presentation of financial statements" and SSAP 14 (revised) "Leases".

The comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions as set out in Note 37.3 of Appendix 16 to the Listing Rules.

2. Segmental information

The analysis of the principal activities and the geographical location of the operations of the Company and its subsidiaries during the financial period are as follows:

	Turnover		Contribution to loss	
	Six months ended		before taxation	
	(unaudited)		Six months ended	
	30.6.2001	29.2.2000	30.6.2001	29.2.2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
<i>Continuing operations:</i>				
Property investment	151	2,639	(129)	(263)
Investment holdings	4,232	–	(10,308)	(6,794)
	4,383	2,639	(10,437)	(7,057)
<i>Discontinued operations:</i>				
Sales of Goods	–	64,000	–	(13,678)
	4,383	66,639	(10,437)	(20,735)
Unallocated Corporate expenses			–	(54)
Share of results of associates			2,732	–
Net interest income/(expenses)			1,928	(4,137)
			(5,777)	(24,926)
By geographical location of operations:				
PRC	–	15,726	6,057	(11,688)
Korea	–	–	(5,520)	–
Hong Kong	4,383	50,913	(8,242)	(9,101)
	4,383	66,639	(7,705)	(20,789)
Net interest income/(expenses)			1,928	(4,137)
			(5,777)	(24,926)

3. Turnover

Six months ended	
30.6.2001	29.2.2000
(unaudited)	(unaudited)
HK\$'000	HK\$'000

An analysis of turnover by activities during the period is as follows:

Income from sale of investments in securities	4,232	–
Income from investment properties	151	2,639
Income from retailing business	–	64,000
	<hr/> 4,383	<hr/> 66,639

4. Loss from operations before finance costs

Six months ended	
30.6.2001	29.2.2000
(unaudited)	(unaudited)
HK\$'000	HK\$'000

The Group's loss from operating activities has been arrived at after charging/(crediting):

Depreciation and amortization:		
Owned assets	217	1,673
Asset held under a hire purchase contract	6	6
Licence rights	–	625
(Gain)/loss on disposal of investment properties	(452)	72
Operating lease payments in respect of rented premises	662	19,183
Provision for obsolete inventories	–	9,500
Severance payment	–	34
Staff costs (including Directors' remuneration)	5,307	15,671
Amortization of goodwill	4,439	–
Deemed disposal of shares of a subsidiary	(3,738)	–
Bank interest income	(1,939)	(1)
Other interest income	(1,166)	(634)
Net exchange gain	(85)	(871)

5. Finance costs

	Six months ended	
	30.6.2001 (unaudited) HK\$'000	29.2.2000 (unaudited) HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	–	1,390
Loan from former ultimate holding company	–	1,617
Hire purchase charges	–	2
Interest on bank borrowings not wholly repayable within five years	<u>1,178</u>	<u>1,763</u>
	<u>1,178</u>	<u>4,772</u>

6. Taxation

The taxation charge for the period represented the share of taxation other than in Hong Kong attributable to associates calculated at rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements for the current period as the Group incurred losses for both periods.

7. Interim dividend

The Directors do not declare any interim dividend for the six months ended June 30, 2001 (29.2.2000: Nil).

8. Loss per share

The calculation of the basic loss per share is based on the unaudited consolidated net loss of the period of HK\$6,105,000 (29.2.2000: HK\$24,926,000) and on the weighted average of 3,632,428,440 (29.2.2000: 1,054,181,924) ordinary shares in issue during the period.

No diluted loss per share has been calculated for the current period and the corresponding period last year as the exercise of the share options would result in a decrease in the loss per share.

9. Fixed assets

During the period, the Group spent approximately HK\$1,200,000 (29.2.2000: HK\$876,000) on additions to fixed assets for the expansion of the office of a subsidiary in the PRC.

In February 2001, the Group sold an investment property in Hong Kong at a profit of approximately HK\$500,000.

10. Share capital

	Number of shares	Share capital <i>HK\$'000</i>
Balance as at January 1, 2001	3,634,295,567	363,430
Shares repurchased and cancelled	(2,050,000)	(205)
Balance as at June 30, 2001	<u>3,632,245,567</u>	<u>363,225</u>

11. Reserves

	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at January 1, 2001	388,287	(8,915)	(243,650)	135,722
Premium on repurchase of shares	(212)	–	–	(212)
Exchange difference arising on translation of overseas operations	–	156	–	156
Net loss for the period	–	–	(6,105)	(6,105)
Balance as at June 30, 2001	<u>388,075</u>	<u>(8,759)</u>	<u>(249,755)</u>	<u>129,561</u>

12. Operating lease commitments

	As at 30.6.2001 <i>HK\$'000</i>	As at 31.12.2000 <i>HK\$'000</i>
The total of future minimum lease payments under non-cancellable operating leases commitments for land and buildings for leases expiring:		
– in the second to fifth year inclusive	<u>3,497</u>	<u>4,291</u>

13. Acquisition of subsidiaries

On April 19, 2001, the Group acquired the entire issued share capital of Citystar Venture Limited (“Citystar”) at a consideration of HK\$42,000,000. Citystar holds the entire issue capital of Beijing Starhood Digital Technology Co., Ltd., a wholly owned foreign company in the PRC which engages in the provision of technical advisory and management consultancy services to a leading digital network provider and information system integrator in Beijing. The acquisition also includes an option to acquire 49% stake in the digital network provider as and when laws in the PRC allow.

Citystar had no significant effect on the cash flows of the Group during the period since acquisition.

14. Related party transactions

On December 11, 2000, Rado International Limited (“Rado”), a wholly owned subsidiary of the Company, entered into a subscription agreement with Egochina Holdings Limited (“Egochina”) and Atlantic Cay International Limited (“Atlantic Cay”), a substantial shareholder of the Company, whereby Rado and Atlantic Cay agreed to subscribe for 1,000,000 and 2,000,000 preferred shares in Egochina respectively at an aggregate consideration of US\$3,000,000. After the subscription, the interest of the Group in Egochina was diluted to 51.5% (on a fully diluted basis). The subscription was completed on January 30, 2001.