

The Board of Directors (the “Directors”) of Haywood Investments Limited (the “Company”) present the interim report and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2002 as follows:–

Interim Financial Report

Condensed Consolidated Income Statement

For the six months ended 30th June, 2002

		Six months ended	
		30.6.2002	30.6.2001
		HK\$'000	HK\$'000
	Notes	(unaudited)	<i>(unaudited)</i>
Turnover	3	623	212
Loss on disposal of listed investments		(33)	–
Administrative expenses		(3,606)	(1,384)
Provision for bad and doubtful debt		–	(1,015)
Impairment loss recognised in respect of investments in securities		–	(6,750)
		<hr/>	<hr/>
Loss before taxation	4	(3,016)	(8,937)
Taxation	5	–	–
		<hr/>	<hr/>
Loss for the period		(3,016)	(8,937)
		<hr/> <hr/>	<hr/> <hr/>
Dividend	6	–	–
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	7	HK(2.69) cents	HK(8.94) cents
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Balance Sheet

At 30th June, 2002

	Notes	30.6.2002 HK\$'000 (unaudited)	31.12.2001 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		218	243
Investments in securities	8	47,143	39,537
		47,361	39,780
Current assets			
Trade and other receivables	9	1,236	335
Bank balances and cash	10	1,929	4,638
		3,165	4,973
Current liabilities			
Other payables		2,990	1,099
Taxation payable		52	52
Bank overdraft (secured)	10	650	–
		3,692	1,151
Net current (liabilities) / assets		(527)	3,822
Net Assets		46,834	43,602
CAPITAL AND RESERVES			
Share capital	11	1,200	1,000
Reserves	12	45,634	42,602
Shareholders' equity		46,834	43,602
NET ASSETS VALUE PER SHARE	13	HK\$0.39	HK\$0.44

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30th June, 2002

	Six months ended	
	30.6.2002 <i>HK\$'000</i> <i>(unaudited)</i>	30.6.2001 <i>HK\$'000</i> <i>(unaudited)</i>
Losses recognised on revaluation of non-trading securities not reflected in the consolidated income statement	(360)	(660)
Loss for the period	(3,016)	(8,937)
Total recognised losses	(3,376)	(9,597)

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2002

	Six months ended	
	30.6.2002 <i>HK\$'000</i> <i>(unaudited)</i>	30.6.2001 <i>HK\$'000</i> <i>(unaudited)</i>
Net cash outflow from operating activities and decrease in cash and cash equivalents	(3,359)	(1,171)
Cash and cash equivalents at 1st January, 2002	4,638	7,112
Cash and cash equivalents at 30th June, 2002, representing cash, bank and bank overdraft balances	1,279	5,941

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2002

1. **BASIS OF PREPARATION**

The 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 No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants.

2. **PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2001.

3. **TURNOVER**

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
An analysis of the Group's turnover is as follows:		
Dividend income	52	70
Interest income	571	142
	<hr/>	<hr/>
	623	212
	<hr/> <hr/>	<hr/> <hr/>

All of the Group's turnover and operating results are attributable to investment activities which are carried out or originated principally in Hong Kong.

4. LOSS BEFORE TAXATION

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Depreciation	211	75
Investment management fee (note 13)	342	492
	<u> </u>	<u> </u>

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group had no assessable profit for the current period.

6. DIVIDEND

The directors resolved not to pay an interim dividend for the six months ended 30th June, 2002 (six months ended 30th June, 2001: nil).

7. LOSS PER SHARE

The calculation of the loss per share is based on the loss for six months ended 30th June, 2002 of approximately HK\$3,016,000 (six months ended 30th June, 2001: loss of approximately HK\$8,937,000) and on the weighted average number of 111,933,702 shares (six months ended 30th June, 2001: 100,000,000 shares) in issue during the period.

8. INVESTMENTS IN SECURITIES

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong, at cost	7,317	351
Unrealised loss	(630)	(270)
	<u> </u>	<u> </u>
Market value at 30th June / 31st December	6,687	81
Unlisted equity security, at fair value	17,461	17,461
Unlisted convertible loan notes, at fair value	22,995	21,995
	<u> </u>	<u> </u>
	47,143	39,537
	<u> </u>	<u> </u>

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$604,000 (2001: approximately HK\$65,000), the aged analysis of which is as follows:

	30.6.2002 HK\$'000	31.12.2001 <i>HK\$'000</i>
0-60 days	604	65
61-120 days	—	—
	604	65

10. BANK OVERDRAFT

The bank overdraft facility is secured by pledging of deposits with the bank. The interest rate of the bank borrowing is at the Hong Kong dollar Price Leading Rate. As at 30th June, 2002, bank overdraft balance stood at approximately HK\$650,000.

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Amount <i>HK\$'000</i>
Authorised	<u>200,000,000</u>	<u>2,000</u>
Issued and fully paid:		
Balance at 1st January 2002	100,000,000	1,000
Additions on 15th March, 2002	<u>20,000,000</u>	<u>200</u>
Balance at 30th June 2002	<u>120,000,000</u>	<u>1,200</u>

On 15th March, 2002, 20,000,000 ordinary shares of HK\$0.01 per share were issued by subscription at a price of HK\$0.35 per share.

12. RESERVES

	Share premium	Investment revaluation reserve	Accum- ulated (loss)/profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2001	94,117	(25,518)	(10,624)	57,975
Unrealised loss on revaluation of investments	–	(1,147)	–	(1,147)
Loss realized on disposal of non-trading investments	–	26,395	–	26,395
Loss for the year	–	–	(40,621)	(40,621)
At 1st January, 2002	94,117	(270)	(51,245)	42,602
Premium on issue of 20,000,000 new ordinary shares	6,408	–	–	6,408
Unrealised loss on revaluation of investments	–	(360)	–	(360)
Loss attributable to shareholders	–	–	(3,016)	(3,016)
At 30th June, 2002	<u>100,525</u>	<u>(630)</u>	<u>(54,261)</u>	<u>45,634</u>

13. NET ASSETS VALUE PER SHARE

The calculation of the net assets value per share is based on the net assets of the Group as at 30th June, 2002 of approximately HK\$46,834,000 (2001: approximately HK\$43,602,000) and 120,000,000 (2001: 100,000,000) ordinary shares in issue as at that date.

14. RELATED PARTY TRANSACTION

For the six months ended 30th June, 2002, the Group paid investment management fees of approximately HK\$342,000 (six months ended 30th June, 2001: approximately HK\$492,000) to Haywood Investment Management Limited, a company in which certain directors, Mr. Wong Fong Kim and Mr. Tai Ah Lam, Michael have beneficial interest.

Investment management fees are calculated at 1.5% per annum of the net assets value of the Company of the preceding month in accordance with the relevant management agreement.

15. PENDING LITIGATION

In 1999, JRB Limited (formerly known as Koffman Limited), an investee company, defaulted on the repayment of its convertible loan note held by the Company in the sum of approximately HK\$9,363,000 including accrued interest to the scheduled date of repayment. The Company has filed a legal action against JRB Limited for the recovery of the amount of approximately HK\$9,363,000 plus overdue interest. At the same time, the Company also brought a legal action against the guarantor of the convertible loan note for the enforcement of guarantee. JRB Limited had subsequently counterclaimed against the Company for loss and damages for a total amount of approximately HK\$9,355,000. During the period, these proceedings were still in progress.

As the outcome of the action cannot be determined reliably at this time, the carrying amount of the Company's investment in the convertible loan note has been reduced to nil.

Interim Dividend

The Directors resolved not to pay an interim dividend for the six months ended 30th June, 2002 (six months ended 30th June, 2001: nil).

Business Review and Prospects

The Group reported a loss of approximately HK\$3,016,000 for the six months ended 30th June, 2002 as compared with a loss of approximately HK\$8,937,000 for the same period in 2001.

In March 2002, the Company successfully raised net proceeds of approximately HK\$6,600,000 through a shares placing and subscription arrangement in respect of the issue of 20,000,000 Company's new shares at a price of HK\$0.35 per share. The Company's capital base has been significantly strengthened as a result and the proceeds raised are for making investments and working capital purposes.

During the period under review, the Company continued its investments in the three convertible loan notes from which substantial amount of the Company's turnover was derived. The additional capital raised in March 2002 has been invested in listed securities in Hong Kong temporarily pending longer term investment opportunities.

The Directors of the Company consider that the current investment environment in Hong Kong continues to be uncertain and unfavourable in the foreseeable future in view of the present economic situation. On the other hand, the significant economic growth in China Mainland will strengthen the value of the Company's Mainland related investments and provide further investment opportunity.

Employees

The Company has only one employee remunerated at market rate as the Company has appointed Haywood Investment Management Limited as the investment manager to provide investment management and administrative services for the Company, details of which was already set out in the Company's 2001 annual report.

Directors' Interest in Shares

As at 30th June, 2002, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Nature of interest	Number of shares of the Company
Mr. Wong Fong Kim	Corporate	25,000,000 (<i>Note 1</i>)
Mr. Tai Ah Lam, Michael ("Mr. Tai")	Corporate	25,000,000 (<i>Note 2</i>)

Notes:

1. These shares are held by Ever Harvest Investment Limited, a company wholly-owned by Mr. Wong Fong Kim who was deemed to be interested in those shares.
2. These shares are held by Fortuna Alliance Limited which was wholly owned by Mr. Lam Andy Siu Wing ("Mr. Lam"). At 30th June 2002, Mr. Lam was deemed to be interested in those shares. On 11th December, 2001, Mr. Tai entered into a sale and purchase agreement with Mr. Lam whereby Mr. Lam agreed to sell and Mr. Tai agreed to purchase the entire issued share capital ("Sale share") and shareholder's loan (Sale Loan") of Fortuna Alliance Limited for a total consideration of HK\$11,687,100. The completion date of the sale and purchase of the Sale Share and Sale Loan which was originally scheduled to take place on or before 30th June, 2002 has been extended to 30th September, 2002.

Directors' Rights to Acquire Shares or Debentures

A share option scheme was adopted at an extraordinary general meeting of the Company held on 23rd May, 2002 whereby the Directors of the Company may invite eligible participants (including employees and directors of the Company or any of its subsidiaries) to take up options to subscribe for shares of the Company. No option has been granted since the adoption of the Share Option Scheme.

Apart from the Share Option Scheme, at no time during the six months ended 30th June, 2002 was the Company or its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or their spouse or children under 18 years of age had any right to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders

As at 30th June, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, in addition to the interest disclosed above in respect of Directors, the following shareholders had an interest of 10% or more in the share capital of the Company.

Name of shareholder	Number of shares held
Ever Harvest Investment Limited	25,000,000 (Note 1)
Fortuna Alliance Limited	25,000,000 (Note 2)

Notes:

1. These shares are held by Ever Harvest Investment Limited, a company wholly-owned by Mr. Wong Fong Kim who was deemed to be interested in those shares.
2. These shares are held by Fortuna Alliance Limited which was wholly owned by Mr. Lam Andy Siu Wing ("Mr. Lam"). At 30th June 2002, Mr. Lam was deemed to be interested in those shares. On 11th December, 2001, Mr. Tai entered into a sale and purchase agreement with Mr. Lam whereby Mr. Lam agreed to sell and Mr. Tai agreed to purchase the entire issued share capital ("Sale share") and shareholder's loan (Sale Loan") of Fortuna Alliance Limited for a total consideration of HK\$11,687,100. The completion date of the sale and purchase of the Sale Share and Sale Loan which was originally scheduled to take place on or before 30th June, 2002 has been extended to 30th September, 2002.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2002.

Audit Committee

The audit committee, comprising three independent non-executive Directors, namely Mr. Hui Hung, Stephen, Dr. Wong Yun Kuen, Edward and Mr. Hsieh Dominick was established. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

The audit committee met on 16th September, 2002 and reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the Period.

Purchase, Sale or Redemption of the Company's Listed Shares

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

Corporate Governance

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, during the six months ended 30th June, 2002 in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board
Peter Lee Yip Wah
Secretary

Hong Kong, 23rd September, 2002