

EVEREST INTERNATIONAL INVESTMENTS LIMITED

首富國際投資有限公司*

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

The Board of Directors (the “Directors”) of Everest International Investments Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2002

		Six months ended	
		30.9.2002	30.9.2001
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	4	370	558
Loss on disposal of listed investments		(9,893)	(1,952)
Administrative expenses		(1,827)	(1,192)
Finance costs		(1)	(16)
Loss before taxation	5	(11,351)	(2,602)
Taxation	6	—	—
Loss for the period		(11,351)	(2,602)
Dividend		—	—
Loss per share - basic	7	(4.60 cents)	(1.14 cents)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 and with 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 March, 2002 except as described below.

In the current period, the Group has adopted, for the first time, a number of new or revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement, but has had no material effect on the results for the current and prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENTAL INFORMATION

All of the Group’s turnover and contribution to operating results are attributable to investment activities which are mainly located in Hong Kong.

4. TURNOVER

	Six months ended	
	30.9.2002	30.9.2001
	HK\$'000	HK\$'000
An analysis of the Group’s turnover is as follows:		
Dividend income - listed	235	186
Interest income	135	372
	370	558

5. LOSS BEFORE TAXATION

	Six months ended	
	30.9.2002	30.9.2001
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Directors’ remuneration		
– fees	20	20
– other emoluments	517	30
Retirement benefits scheme contributions	16	3
Other staff costs	90	62
Total staff costs	643	115
Auditor’s remuneration	54	20
Depreciation	35	—
Investment management fee	431	441
Interest on amount due to a related company	—	15

6. TAXATION

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

At 30th September, 2002, a deferred tax asset of approximately HK\$515,000 (31st March, 2002: approximately HK\$375,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that such benefits will be crystallised in the foreseeable future.

7. LOSS PER SHARE – BASIC

The calculation of the loss per share is based on the loss for the six months ended 30th September, 2002 of approximately HK\$11,351,000 (six months ended 30th September, 2001: approximately HK\$2,602,000) and on the number of 246,568,000 (six months ended 30th September 2001: the weighted average number of 228,425,923) shares in issue during the period.

8. POST BALANCE SHEET EVENT

On 28th October, 2002, the Company entered into a sale and purchase agreement with two independent third parties to dispose of 70.02% interest in its wholly-owned subsidiary, Everest Technology Investments Limited, for a consideration of approximately HK\$13,304,000.

On 1st November, 2002, the Company transferred and assigned its entire interest in a convertible bond issued by IT Star Holdings Limited to an independent third party for a total consideration of approximately HK\$5.2 million which is equal to the fair value of the bond plus accrued interest.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2002 (six months ended 30th September, 2001: Nil).

BUSINESS REVIEW AND OUTLOOKS

For the six months ended 30th September, 2002, the Group reported a loss of approximately HK\$11,351,000 as compared with a loss of approximately HK\$2,602,000 for the same period last year. All of the Group’s turnover and contribution to operating results are attributable to investment activities which are mainly in Hong Kong.

During the period under review, the Group has continued to consolidate the investment portfolio. Cash reservation policy has been stressed and some listed investments in the portfolio have been liquidated, resulting in the realization of loss in the reported period. The disposal of those investments was made after careful evaluation in considering their unfavorable earning outlook by the Directors amid the adverse and stagnant stock market condition. Part of the proceeds raised from the disposal were used for new investments during the period. At 30th September, 2002, approximately 25% of the value of the Group’s investments was in a portfolio of listed securities and 75% in unlisted investments. The Group had no bank loan at the period end.

The economy of Hong Kong is still suffering from the sluggish performance of the US economic recovery. The uncertainties and unfavorable factors across the world amid the possible war in Gulf region and the terrorist attacks have significantly dampened the investment sentiment in the global equity market. Fixed income treasury market and commodity market, including the gold and the oil bourses all became the safe heaven and the flight for quality by international capitals. The equity market in Hong Kong, in line with the rest of the world, inevitably harshly smashed and Hang Seng Index had dropped by 8.8% year on year for the reported period. The Hong Kong Growth Enterprise Index even slashed by 29.6% year on year for the corresponding period.

The Directors of the Company envisage that Hong Kong is still undergoing an economic restructuring with the continued liberalization of economic and financial system in the PRC. The launch of QFII policy in December has marked a significant milestone to the capital market reform in the PRC. The Directors foresee that with the ongoing implementation of QDII policy and CDR in the future, the position of Hong Kong as the vital financial arm of the PRC will be further strengthened, enhancing more favorable investment opportunities to the Group and the benefits to our shareholders.

CHANGE OF SUBSTANTIAL SHAREHOLDER

On 25th July 2002, Taiwan International Capital (HK) Limited (“TIC”), a former substantial shareholder entered into a sale and purchase agreement (“Sale and Purchase Agreement”) with Shen Gang Limited (“Shen Gang”), an independent third party. Shen Gang is an investment holding company mainly engages in making investments in the Greater China region. Pursuant to the Sale and Purchase Agreement, TIC agreed to sell all of its interest in the Company, equivalent to 19.29% of the entire issued capital of the Company, to Shen Gang at a cash consideration of HK\$15,343,480. The consideration of approximately HK\$0.32

per share represents a premium of 158% over the closing price per share at HK\$0.124 as quoted on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 25th July 2002. The transaction was completed on 7th August, 2002. The Directors confirmed that the change of substantial shareholder as aforesaid would not have any material adverse impact on the operation and investment objectives and policies of the Company.

CONNECTED TRANSACTION

The Company entered into an agreement with TIC on 25th July, 2002 (the “Agreement”), pursuant to which the Company agreed to sell to TIC three listed investments and one unlisted investment (the “Investments”) at a consideration of (i) for the shares in listed companies, the consideration would be the average closing price of the relevant shares as stated in the Stock Exchange’s daily quotations sheet for the 20 business days prior to 1st August 2002, and (ii) HK\$6,000,000 for the shares of the unlisted private company.

The Company has been holding the Investments (except for the shares of an unlisted private company) for one year and the Directors have been seeking opportunities to divest the Investments primarily for the purpose of increasing the Company’s liquidity and enabling the Company to engage in new investment projects when opportunities arise.

The Agreement was reached between TIC and the Company after arm’s length negotiation. The Directors considered that the terms of the Agreement were on normal commercial terms which were fair and reasonable so far as the shareholders of the Company were concerned. As TIC was a substantial shareholder of the Company, the Agreement constituted a connected transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange and was subject to approval of independent shareholders. The aforesaid connected transaction was duly approved by independent shareholders at the Extraordinary General Meeting held on 26th September, 2002.

However, TIC served a notice of termination to the Company and exercised its right of termination under the Agreement, pursuant to which the Agreement was terminated with effect from 5th November, 2002. The Company is seeking opportunities to sell the Investments to independent third parties.

EMPLOYEES

As at 30th September, 2002, the Group has employed 7 employees and the total remuneration paid to staff was approximately HK\$643,000 during the period under review. The employees were remunerated based on their responsibilities and performance.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial report for the six months ended 30th September, 2002. In carrying out his review the audit committee has relied on the review of the Group’s external auditors as well as obtaining explanations from management.

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 September, 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, except that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Articles of Association.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

All the financial and other related information of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange’s Website at <http://www.hkex.com.hk> in due course.

By Order of the Board
Wang Chun Lin
Chairman

Hong Kong, 17th December, 2002

* For identification purposes only