

The Board of Directors (the “Board”) of Haywood Investments Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and subsidiaries (the “Group”) for the six months ended 30th June, 2005 (the “Review Period”) as follows:

Condensed Consolidated Income Statement

For the six months ended 30th June, 2005

	<i>Notes</i>	Six months ended 30th June,	
		2005	2004
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	67	14
Other revenue		283	42
Loss on disposal of fixed assets		(33)	–
Administrative expenses		(1,695)	(1,477)
Loss from operations	5	(1,378)	(1,421)
Finance expenses		(10)	(2)
Loss before taxation		(1,388)	(1,423)
Taxation	6	–	–
Loss for the period		(1,388)	(1,423)
Attributable to Shareholders of the Company		(1,388)	(1,423)
Loss per share – Basic	7	HK\$(1.23) cents	HK\$(2.24) cents*

* restated

Condensed Consolidated Balance Sheet

At 30th June, 2005

	Notes	30th June, 2005 HK\$'000 (unaudited)	31st December, 2004 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	931	227
Investment securities/Available-for-sale financial assets	9	8,384	9,464
		9,315	9,691
Current assets			
Other receivables and prepayments		4,045	1,956
Pledged deposit		1,003	1,000
Cash at banks		1,170	40
		6,218	2,996
Current liabilities			
Other payables		1,270	1,326
Obligations under finance leases	10	518	14
Amounts due to directors	11	225	205
		2,013	1,545
Net current assets		4,205	1,451
Total assets less current liabilities		13,520	11,142
Non-current liabilities			
Obligations under finance leases	10	–	52
Net assets		13,520	11,090
Equity			
Share capital	12	4,000	2,000
Reserves	12	9,520	9,090
Equity attributable to Shareholders of the Company		13,520	11,090
NET ASSET VALUE PER SHARE	13	HK\$0.085	HK\$0.14

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2005

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2004	1,440	101,127	53	(90,276)	12,344
Shares issued at premium	288	3,283	–	–	3,571
Share issued expenses	–	(163)	–	–	(163)
Unrealised loss arising on revaluation of investments not recognised in the income statement	–	–	(11)	–	(11)
Loss for the period	–	–	–	(1,423)	(1,423)
At 30th June, 2004	1,728	104,247	42	(91,699)	14,318
At 1st January, 2005	2,000	106,426	47	(97,383)	11,090
Unrealised gain arising on revaluation of investments not recognised in the income statement	–	–	19	–	19
Provision for available-for-sales financial assets	–	–	(1,099)	–	(1,099)
Shares issued at premium (note 12)	2,000	3,200	–	–	5,200
Share issue expenses	–	(302)	–	–	(302)
Loss for the Review Period	–	–	–	(1,388)	(1,388)
At 30th June, 2005	4,000	109,324	(1,033)	(98,771)	13,520

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2005

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(3,365)	(1,158)
Net cash from financing activities	5,350	3,749
Net cash used in investing activities	(855)	(3,064)
Net increase/(decrease) in bank and cash balances	1,130	(473)
Cash balances at banks at beginning of the period	40	3,106
Cash balances at banks at end of the period	1,170	2,633

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2005

1. Basis of preparation

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31st December, 2004, except as described below.

For the Review Period, the Group has applied, for the first time, a number of new HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as "new HKFRs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied respectively. The adoption of the new HKFRs has resulted in changes to the Group's accounting policies in the following areas:

Financial Instruments

For the Review Period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, investments of the Group were classified investments in securities, which were stated in the balance sheet at fair value, and any impairment losses were recognised in the income statement in the period in which they arise.

Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognized in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

As a result of the adoption of HKAS 39, all the investments are now stated at fair value in the balance sheet, except for certain available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any impairment losses. In addition, all the investments as at 31st December, 2004 that should be measured at fair value on adoption of HKAS 39 should be remeasured as at 1st January, 2005 and any adjustment of the previous carrying amount should be recognised as an adjustment of the balance of retained profits as at 1st January, 2005.

The effect of the changes in accounting policies on these financial statements as a result of the adoption of HKAS 32 and HKAS 39 is that all investments in securities of the Group and the Company as at 31st December, 2004 were reclassified as available-for-sale financial assets on 1st January, 2005. The aggregate differences between the respective carrying value of each investment at 31st December, 2004 and the respective fair value as at 1st January, 2005 is insignificant and hence, no adjustment has been made against the retained profits as at 1st January, 2005.

3. Turnover

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
An analysis of the Group's turnover is as follows:		
Interest income	67	14

4. Segment information

All of the Group's turnover and contribution to operating results are attributable to its investment activities.

The Group invests in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China (the "PRC"). These geographical markets are the basis on which the Group reports its primary segment information.

Segment information about these geographical markets is presented below:

	Hong Kong		PRC		Total	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	67	14	–	–	67	14
Segment results	(354)	(53) [#]	–	(3)	(354)	(56)
Unallocated corporate expenses					(1,034)	(1,367) [#]
Loss for the period					(1,388)	(1,423)

[#] restated

5. Loss from operations

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:		
Depreciation	133	7
Investment management fees	109	146
Staff costs (including directors' remuneration)	457	447

6. Taxation

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

7. Loss per share

The calculation of the loss per share is based on the loss for the period of HK\$1,388,000 (six months ended 30th June, 2004: loss of HK\$1,423,000) and on the weighted average number of 112,707,182 (six months ended 30th June, 2004: 63,549,890, restated) shares in issue during the period assuming the effect of the share consolidation as set out in note 12(a) had been in place throughout the period.

8. Property, plant and equipment

	Leasehold improvement HK\$'000	Vehicles & machinery HK\$'000	Furniture fitting & equipment HK\$'000	Total HK\$'000
Year ended 31st December, 2004				
Opening net book amount	–	–	–	–
Additions	29	–	255	284
Disposals	–	–	(22)	(22)
Depreciation	–	–	(35)	(35)
Closing net book amount	29	–	198	227
At 31st December, 2004				
Cost or valuation	29	–	231	260
Accumulated depreciation	(7)	–	(26)	(33)
Net book amount	22	–	205	227
Six months ended 30th June, 2005				
Opening net book amount	22	–	205	227
Additions	310	550	71	931
Disposals	–	–	(94)	(94)
Depreciation	(21)	(92)	(20)	(133)
Closing net book amount	311	458	162	931
At 30th June, 2005				
Cost or valuation	339	550	203	1,092
Accumulated depreciation	(28)	(92)	(41)	(161)
Net book amount	311	458	162	931

The cost of property, plant and equipment includes an amount of HK\$550,000 in respect of assets held under finance leases (2004: Nil) and the related accumulated depreciation amounts to HK\$92,000 (2004: Nil).

9. Investment securities/Available-for-sale financial assets

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Equity securities listed in Hong Kong, at fair value	66	47
Unlisted equity security, at fair value	8,318	9,417
	8,384	9,464

10. Obligations under finance leases

Obligations under finance leases have been fully settled subsequent to 30th June 2005 after disposal of the relevant fixed assets.

11. Amounts due to directors

The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

12. Share capital

	Notes	Number of ordinary shares	Share capital HK\$'000
Authorised			
Ordinary share of HK\$0.01 each at 1st January, 2005		200,000,000	2,000
In authorised ordinary shares of HK\$0.01 each on 17th March, 2005	(a)	800,000,000	8,000
Consolidation of five ordinary shares of HK\$0.01 each to 2 ordinary shares of HK\$0.025 each on 17th March, 2005	(a)	(600,000,000)	–
Ordinary share of HK\$0.025 each at 30th June, 2005		400,000,000	10,000
Issued and fully paid			
Ordinary share of HK\$0.01 each at 1st January, 2005		200,000,000	2,000
Consolidation of five ordinary shares of HK\$0.01 each to 2 ordinary shares of HK\$0.025 each on 17th March, 2005	(a)	(120,000,000)	–
Issue of ordinary shares of HK\$0.025 each on 18th April, 2005	(b)	80,000,000	2,000
Ordinary share of HK\$0.025 each at 30th June, 2005		160,000,000	4,000

- (a) Pursuant to the Shareholders' approval at the Extraordinary General Meeting held on 17th March 2005, the Company increased the authorized share capital of the Company from HK\$2,000,000 divided into 200,000,000 shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each by creation of an additional 800,000,000 unissued shares of HK\$0.01 each. At the same time, the share consolidation of every five existing ordinary shares of HK\$0.01 par value each into two new ordinary shares of HK\$0.025 par value each ("New Shares") were approved;

- (b) On 28th January 2005, the Company entered into an underwriting agreement for the open offer of 80,000,000 new shares at HK\$0.065 per share ("Offer Shares") on the basis of one offer share for every New Share held on record date ("Open Offer") through two underwriters, Orient Securities Limited and Kingston Securities Limited. An ordinary resolution in respect of the Open Offer was passed at the Extraordinary General Meeting held on 17th March 2005. The Offer Shares, when fully paid, rank pari passu in all respects with the existing share capital of the Company. The Open Offer was completed on 18th April 2005.

13. Net asset value per share

The calculation of the net asset value per share is based on the net assets of the Group as at 30th June, 2005 of HK\$13,520,000 (31st December, 2004: HK\$11,090,000) and 160,000,000 (31st December, 2004: 80,000,000) shares in issue as at that date after adjusting for the effect of the share consolidation as set out in note 12(a).

14. Related party transaction

During the Review Period, the Group had the following significant related party transactions:

	2005 HK\$'000	2004 HK\$'000
Investment management fees paid to Hua Yu Investment Management Limited ("Hua Yu")	69	—
Altus Capital Limited ("Altus"), the former investment manager	40	—
Haywood Investment Management Limited, the former investment manager	—	146

15. Change of investment manager

On 12th May 2005, the Company entered into new investment management agreement with Hua Yu with effect from 20th May 2005 to replace Altus, the former investment manager. As Hua Yu has extensive investment experience in PRC and Hong Kong, the Company believes it will be beneficial to appoint Hua Yu as the investment manager in order to fully capture the investment opportunities in PRC.

Investment management fees to Hua Yu are calculated at 0.375% of the Net Asset Value per quarter, subject to a minimum of HK\$150,000 per three months.

16. Contingencies

The Group had no material contingent liabilities at the balance sheet date.

17. Post balance sheet events

Subsequent to the Review Period, the Group has on 29th July 2005 entered into an agreement with an independent third party to dispose all the equity interests in and loan to Standard Supplies Limited ("SSL") at cost of HK\$500,000 and HK\$250,000 respectively. SSL is principally engaged in the trading of flooring materials in Hong Kong and PRC. In the opinion of the Directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of SSL. The reason for the disposal is to streamline the investment portfolio of the Company.

On 1st August 2005, the Group acquired a 30% of the equity interest in Summit Asset Holdings Limited ("SAHL"). SAHL is a company incorporated in Hong Kong with limited liability and the other 70% equity interest is owned by an independent third party. SAHL entered into a contract to acquire a residential property in Hong Kong at a consideration of HK\$3,880,000 from an independent third party. The acquisition of property is scheduled to be completed on 30th September 2005 and the property will be held for investment purpose.

On 3rd August 2005, the Group acquired a 30% of the equity interest in Rise Profit Holdings Limited ("RPHL"). RPHL is a company incorporated in Hong Kong with limited liability and the other 70% equity interest is owned by an independent third party. RPHL acquired a taxi vehicle and its licence to operate in Hong Kong at a consideration of HK\$3,650,000 from an independent third party. The taxi and its operating license will be held for investment purpose.

Interim Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: nil).

Management Discussion and Analysis

Financial review

For the Review Period, the Group recorded a loss of HK\$1,388,000 (2004: HK\$1,423,000) after deducting administrative expenses of HK\$1,695,000 (2004: HK\$1,477,000). There was a further provision of HK\$1,099,000 (2004: nil) for impairment made in respect of the unlisted equity investment in PRC. The Group's turnover for the Review Period represented interest income.

On 28th January 2005, the Company entered into an underwriting agreement for the open offer of \$80,000,000 new shares at HK\$0.065 per share ("Offer Shares") on the basis of one offer share for every New Share held on record date at HK\$0.065 per share ("Open Offer") through two underwriters, Orient Securities Limited and Kingston Securities Limited. An ordinary resolution in respect of the Open Offer was passed on the Extraordinary General Meeting held on 17th March 2005. The Offer Shares rank pari passu in all respects with the existing share capital of the Company. The Open Offer was completed on 18th April 2005. The net proceeds from the Open Offer of approximately HK\$4.5 million will be used for future investment purposes and will be invested in accordance with the Company's investment policy of investing in listed and unlisted companies in Hong Kong and PRC to achieve medium term capital appreciation.

The net asset value per share of the Company was HK\$0.085 as at 30th June 2005.

Business review

On 12th May 2005, the Company entered into new investment management agreement with Hua Yu with effect from 20th May 2005 to replace Altus, the former investment manager. As Hua Yu has extensive investment experience in PRC and Hong Kong, the Company believes it will be beneficial to appoint Hua Yu as the investment manager in order to fully capture the investment opportunities in PRC.

On 30th May 2005, there was change in the substantial shareholder of the Company. Xiyang International Limited ("Xiyang") acquired 20.49% of the shares of the Company from Mr. Lee Wing On Samuel, the former substantial shareholder of the Company and 6.20% shares of the Company through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). After the shares acquisition, Xiyang became the new substantial shareholder of the Company. Xiyang is a company incorporated in Hong Kong and is principally engaged in investments in properties in Hong Kong.

The Group's investment portfolio as at 30th June 2005 remained largely unchanged from that disclosed in the Group 2004 annual report.

Subsequent to the Review Period, the Group has on 29th July 2005 entered into an agreement with an independent third party to dispose all the equity interests in and loan to SSL at cost of HK\$500,000 and HK\$250,000 respectively. SSL is principally engaged in the trading of flooring materials in Hong Kong and PRC. In the opinion of the Directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of SSL. The reason for the disposal is to streamline the investment portfolio of the Company.

On 1st August 2005, the Group acquired a 30% of the equity interest in SAHL. SAHL is a company incorporated in Hong Kong with limited liability and the other 70% equity interest is owned by an independent third party. SAHL has entered into a contract to acquire a residential property in Hong Kong at a consideration of HK\$3,880,000 from an independent third party. The acquisition of property is scheduled to be completed on 30th September 2005 and the property will be held for investment purpose.

On 3rd August 2005, the Group acquired a 30% of the equity interest in RPHL. RPHL is a company incorporated in Hong Kong with limited liability and the other 70% equity interest is owned by an independent third party. RPHL acquired a taxi vehicle and its licence to operate in Hong Kong at a consideration of HK\$3,650,000 from an independent third party. The taxi vehicle and its operating license will be held for investment purpose.

Outlook and prospects

Significant policies such as CEPA, Individual Travel Scheme etc. taken by the Central Chinese Government and Hong Kong Special Administrative Region Government continue to favor the macro and economic development of Greater Pearl River Delta Region. The remarkable economic growth in PRC and Hong Kong, and the recent improvement in the market sentiment of the worldwide financial markets will emerge huge investment opportunities.

Given the favourable environment and capitalizing on the strength of new substantial shareholder, investment manager and management team, the Company aims to pursue investment opportunities which can generate stable revenue under Company's investment philosophy and acceptable level of risks.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30th June, 2005, none of the directors of the Company and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the "Model Code").

Share Option Scheme

A share option scheme (the "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. The purpose of the Scheme is to provide participants with the opportunity to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

No share option has been granted since the adoption of the Scheme.

Further details of the Scheme were disclosed in the Group's 2004 Annual Report.

Directors' Rights to Acquire Shares or Debentures

At no time during the Review Period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

Interests and Short Positions of Shareholders Discloseable under the SFO

As at 30th June, 2005, the register maintained by the Company pursuant to Section 336 of the SFO showed that, the following shareholders had interests in the issued share capital of the Company:

Name of shareholder	Number of shares held	Approximate % of shareholding
Xiyang International Limited (<i>note</i>)	42,710,400	26.29%

Note: It is a Company incorporated in Hong Kong, whose issued share capital is beneficially owned by Mr. Zhou Chao and Ms. Huang Song as to 90% and 10% respectively. Mr. Zhao Chao and Ms. Huang Song are the Chairman, Executive Director and Executive Director of the Company respectively.

Other than the interests disclosed above, the register maintained by the Company pursuant to Section 336 of the SFO disclosed no person as having notifiable interest or short position in the issued share capital of the Company as at 30th June, 2005.

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

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the Review Period.

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, 2005 in compliance with the Code of Best Practice ("Code"), as set out in Appendix 14 of the Listing Rules.

Audit Committee

The members of the Company's Audit Committee comprised Mr. Liu Wing Ting, Stephen, Ms. Lam Lin Chu and Ms. Tse Po Chu who are all independent non-executive directors of the Company. The Audit Committee met on 23rd September, 2005 and reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the Group's unaudited condensed consolidated financial statements for the six months ended 30th June, 2005.

Remuneration Committee

A Remuneration Committee was established by the Company on 23rd September, 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising Mr. Zhou Chao, the Executive Director and Chairman and three independent non-executive Directors, namely, Mr. Liu Wing Ting, Stephen, Ms. Lam Lin Chu and Ms. Tse Po Chu, which meets at least once a year. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Director and members of the Senior Management. Remuneration and the employment contracts of new appointing directors have to be reviewed and approved by the Remuneration Committee. Compensation of removal or dismissal of directors has to be reviewed and approved by the remuneration committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

By Order of the Board

Huang Song

Executive Director

Hong Kong, 23rd September, 2005