



福山控股有限公司  
FUSHAN HOLDINGS LIMITED

Interim Report 2002

## INTERIM RESULTS

The board of directors (“Directors”) of Fushan Holdings Limited (the “Company”) announces that the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2002 together with the unaudited interim results for the six months ended 30th June 2001 for comparison are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2002

|   |       | Six months<br>ended 30th June   |                                 |
|---|-------|---------------------------------|---------------------------------|
|   | Notes | 2002<br>(Unaudited)<br>HK\$'000 | 2001<br>(Unaudited)<br>HK\$'000 |
| <b>Turnover</b>   |       | <b>2,635</b>                    | 914                             |
| Cost of sales   |       | —                               | (914)                           |
| Gross profit  |       | <b>2,635</b>                    | —                               |
| Other revenue   |       | <b>483</b>                      | 15                              |
| Gain arising from the non-consolidation<br>of other loans of a subsidiary |       | —                               | 24,009                          |
| Administrative expenses   |       | <b>(3,624)</b>                  | (3,209)                         |
| Other operating expenses  |       | —                               | (46)                            |
| Operating (loss)/profit   |       | <b>(506)</b>                    | 20,769                          |
| Finance costs   |       | —                               | (5,138)                         |
| <b>(Loss)/Profit before taxation</b>                                      |       | <b>(506)</b>                    | 15,631                          |
| Taxation  | 2     | —                               | —                               |
| <b>(Loss)/Profit after taxation</b>                                       |       | <b>(506)</b>                    | 15,631                          |
| Minority interests  |       | —                               | (996)                           |
| <b>(Loss)/Profit attributable to shareholders</b>                         |       | <b>(506)</b>                    | 14,635                          |
| <b>Basic (loss)/earnings per share</b>                                    | 3     | <b>(0.03 cents)</b>             | 2.00 cents                      |

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2002

|   | As at 30th<br>June 2002<br>(Unaudited)<br>HK\$'000 | As at 31st<br>December 2001<br>(Audited)<br>HK\$'000 |
|---|--|--|
| <b>ASSETS AND LIABILITIES</b>               |  |  |
| <b>Non-current assets</b>                   |  |  |
| Property, plant and equipment               | 8,392  | 7,916  |
| <b>Current assets</b>                       |  |  |
| Trade receivables                           | 2,370  | 239  |
| Prepayments, deposits and other receivables | 271  | 156  |
| Cash at banks and in hand                   | 68,075   | 36,923   |
|   | <u>70,716</u>                                      | <u>37,318</u>  |
| <b>Current liabilities</b>                  |  |  |
| Other payables                              | 2,765  | 2,885  |
|   | <u>67,951</u>                                      | <u>34,433</u>  |
| <b>Net current assets</b>                   | <u>67,951</u>                                      | <u>34,433</u>  |
| <b>Net assets</b>                           | <u>76,343</u>                                      | <u>42,349</u>  |
| <b>CAPITAL AND RESERVES</b>                 |  |  |
| Share capital                               | 196,080  | 173,080  |
| Reserves                                    | (119,737)  | (130,731)  |
| <b>Shareholders' funds</b>                  | <u>76,343</u>                                      | <u>42,349</u>  |

## REVENUE, TURNOVER AND SEGMENT INFORMATION

|  | Six months ended<br>30th June 2002 |  | Six months ended<br>30th June 2001 |  |
|--|------------------------------------|--|------------------------------------|--|
|  | Turnover<br>HK\$'000               | Operating<br>profit/(loss)<br>HK\$'000 | Turnover<br>HK\$'000               | Operating<br>profit/(loss)<br>HK\$'000 |
| <b>Principal activities:</b>   |                                    |  |                                    |  |
| Sale and marketing of gold<br>jewellery products                             | <u>2,635</u>                       | <u>2,631</u>                           | <u>914</u>                         | –                                      |
| Other revenue  |                                    | <u>483</u>                             |                                    | 15                                     |
| Gain arising from the<br>non-consolidation of other<br>loans of a subsidiary |                                    | –                                      |                                    | 24,009                                 |
| Unallocated corporate expenses   |                                    | <u>(3,620)</u>                         |                                    | <u>(3,255)</u>                         |
|  |                                    | <u>(506)</u>                           |                                    | <u>20,769</u>                          |
| <b>Principal markets:</b>  |                                    |  |                                    |  |
| Hong Kong  | <u>2,635</u>                       | <u>(506)</u>                           | 120                                | 20,826                                 |
| China  | –                                  | –                                      | <u>794</u>                         | <u>(57)</u>                            |
|  | <u>2,635</u>                       | <u>(506)</u>                           | <u>914</u>                         | <u>20,769</u>                          |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2002

|                          | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000    |
|--------------------------|------------------------------|------------------------------|-----------------------------------|----------------------|
| At 1st January 2001      | 173,080                      | 368,469                      | (547,557)                         | (6,008)              |
| Profit for the period    | –                            | –                            | <u>14,635</u>                     | <u>14,635</u>        |
| At 30th June 2001        | <u>173,080</u>               | <u>368,469</u>               | <u>(532,922)</u>                  | <u>8,627</u>         |
| At 1st January 2002      | 173,080                      | 368,469                      | (499,200)                         | 42,349               |
| Loss for the period      | –                            | –                            | (506)                             | (506)                |
| Issue of ordinary shares | <u>23,000</u>                | <u>11,500</u>                | –                                 | <u>34,500</u>        |
| <b>At 30th June 2002</b> | <u><b>196,080</b></u>        | <u><b>379,969</b></u>        | <u><b>(499,706)</b></u>           | <u><b>76,343</b></u> |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2002

|  | Six months<br>ended 30th June   |                                 |
|--|---------------------------------|---------------------------------|
|  | 2002<br>(Unaudited)<br>HK\$'000 | 2001<br>(Unaudited)<br>HK\$'000 |
| Net cash flow from operating activities          | (2,631)                         | (3,513)                         |
| Net cash flow from investing activities          | (717)                           | (44)                            |
| Net cash flow from financing activities          | <u>34,500</u>                   | <u>–</u>                        |
| Increase/(Decrease) in cash and cash equivalents | 31,152                          | (3,557)                         |
| Cash and cash equivalents at 1st January         | <u>36,923</u>                   | <u>(44,113)</u>                 |
| Cash and cash equivalents at 30th June           | <u>68,075</u>                   | <u>(47,670)</u>                 |

### 1. Basis of preparation of financial statements and accounting policies

The unaudited condensed interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 (Revised) “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted and the basis of preparation used in preparing the interim financial statements are consistent with those used in preparing the annual financial statements for the year ended 31st December 2001.

The Group has also adopted the following new/revised SSAPs issued by the HKSA, which are effective for financial statements relating to accounting periods commencing on or after 1st January 2002.

SSAP 1 (Revised) – Presentation of financial statements

SSAP 15 (Revised) – Cash flow statements

SSAP 25 (Revised) – Interim financial reporting

SSAP 26 (Revised) – Segment reporting

SSAP 34 – Employee benefits

These new/revised SSAPs do not have any material impact to the accounting policies and financial results of the Group except that certain comparative figures presented have been reclassified to conform to the new disclosure requirements.

## 2. Taxation

No provision for Hong Kong profits tax has been made in the financial statements since the current period's assessable profit is wholly absorbed by tax losses brought forward from previous periods.

As at 30th June 2002, the Group has no material unprovided deferred tax liabilities.

## 3. Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to the shareholders for the six months ended 30th June 2002 of HK\$506,000 (2001: profit of HK\$14,635,000) and the weighted average number of 1,861,683,978 (2001: 730,800,000) ordinary shares in issue during the period.

## 4. Depreciation

During the period, depreciation of HK\$241,000 (2001: HK\$298,000) was charged in respect of the Group's property, plant and equipment.

## 5. Trade receivables

General credit terms of the Group range from 60 to 90 days. Ageing analysis of trade receivables at 30th June 2002 was as follows:

|                    | <b>As at 30th<br/>June 2002<br/>HK\$'000</b> | As at 31st<br>December 2001<br>HK\$'000 |
|--------------------|--|---|
| Current – 3 months | 2,370  | 239                                     |
| 3 – 6 months       | –  | –                                       |
| 6 – 12 months      | –  | –                                       |
| Over 1 year        | –  | –                                       |
|                    | <hr/> <b>2,370</b>                           | <hr/> 239                               |

Subsequent to 30th June 2002, a total amount of HK\$1,590,000 was settled.

## 6. Subsequent event

On 16th August 2002, the Company entered into an agreement with an independent investor for the subscription of 120,000,000 shares at a subscription price of HK\$0.26 per share with an aggregate consideration of HK\$31,200,000.

The subscription shares represent approximately 6.12% of the existing issued share capital of the Company and approximately 5.77% of the issued share capital of the Company as enlarged by the subscription.

## INTERIM DIVIDEND

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

## **BUSINESS REVIEW**

At 30th June 2002, the Group recorded consolidated loss attributable to shareholders of approximately HK\$506,000 for the past six months. The loss was primarily due to the commission and professional expenses of HK\$568,000 related to the placing of new shares in the beginning of March this year. However, the gross operating profit from sales of jewellery was significantly improved with an increase of HK\$2,635,000 over the same period last year.

After the re-organisation of the Group took place in the middle of last September, we are then focusing our effort on cost reduction and the reinstating of the jewellery business. Through our continuous effort, the sales are gradually picking up with an increase of 188% over that in the previous period.

During the period, the Company issued 230,000,000 new shares for cash through placement with placing price of HK\$0.15 per share in March, obtaining an aggregate amount of HK\$34.5 million before expenses. We intend to use the net proceeds to capture appropriate investment opportunities in order to diversify the income source of the Group. Since we have not yet concluded any solid investment plan, the captioned amount has been retained as general working capital for the time being.

## **FINANCIAL POSITION**

### **Charges on Assets**

At 30th June 2002, the Group was free from any mortgage charges on the Group assets.

### **Contingent Liabilities**

At 30th June 2002, the Group was not liable to any borrowings or guarantees given to any banks or financial institutions.

### **Gearing Ratio**

At 30th June 2002, the gearing ratio of the Group was nil.

### **Liquidity and Financial Resources**

The Group's cash and bank deposits at 30th June 2002 amounted to HK\$68,075,000. The significant increase was mainly due to the issue of 230,000,000 new shares of the Company to the investors for cash in March whereas the net proceeds was retained as general working capital temporary pending for future investments if appropriate opportunities arise.

### **Staff**

The Group had 8 employees at 30th June 2002 with remuneration package to be reviewed annually.

## FUTURE PROSPECTS

The slowdown of economic recovery in the United States, the continued increase of local unemployment rate and deflation, together with the slack of property sales; these are the major factors affecting the sentiment of the domestic market, in which it confirmed our anticipation in the beginning of this year such that the economic outlook is not clear and sluggish for the whole year round. With this concern, we have been focusing our effort on the streamline of the operation in order to maximize the cost effectiveness of the Group. We have also been cautiously and carefully working on the Group's financial performance maintaining a low gearing ratio but strong liquidity position to ensure that the Group has capability to pass through the current difficult market situation and prepares for future expansion. Hence, the Group entered into a subscription agreement on 16th August 2002 with a strategic investor for the subscription of 120,000,000 new shares at an aggregate consideration of HK\$31.2 million, representing a subscription price of HK\$0.26 per subscription share. This would certainly further strengthen the financial position of the Group.

We however, are continuously seeking appropriate investment opportunities, primarily in Mainland China as the target place to diversify our business range and to enlarge the income base; any further development will always be in line with our strategy.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30th June 2002, the interests of the directors and chief executive in the shares of the Company and its associated corporation, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

### Ordinary shares of HK\$0.10 each

| Name of Director  | Personal interests | Number of shares             |             |
|-------------------|--------------------|------------------------------|-------------|
|                   |                    | Corporate interests          | Total       |
| Mr. Wong Lik Ping | 55,750,000         | 700,000,000<br><i>(note)</i> | 755,750,000 |

*Note:* Mr. Wong Lik Ping is the beneficial owner of the entire issued share capital of China Merit Limited, which owned 700,000,000 ordinary shares in the Company at 30th June 2002.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements, which enable a director or chief executive of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.



## **SUBSTANTIAL SHAREHOLDERS**

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 30th June 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

| <b>Name of shareholder</b> | <b>Number of ordinary shares</b> |
|----------------------------|----------------------------------|
| China Merit Limited        | 700,000,000                      |

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.

## **PURCHASE, SALE OR REDEMPTION OF OWN SHARES**

During the six months ended 30th June 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the unaudited financial statements for the six months ended 30th June 2002.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of 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.

## **PUBLICATION OF INTERIM RESULTS ON THE EXCHANGE'S WEBSITE**

The interim results of the Group containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities will be published on The Stock Exchange of Hong Kong Limited's website in due course.

By Order of the Board  
**SO Kwok Hoo**  
*Executive Director*

Hong Kong, 26th September 2002