



INTERIM REPORT 2003

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The directors (the "Board" or the "Directors") of Fortuna International Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2003 ("Period") together with comparative figures for the corresponding period in 2002 as set out below.

These interim financial statements have not been audited, but have been reviewed by the Company's external auditors and audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended 30 June</b>	
		<b>2003</b>	<b>2002</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	3	96,394	79,641
Cost of sales		<u>(62,141)</u>	<u>(49,784)</u>
Gross profit		34,253	29,857
Other revenue	3	811	166
Selling and distribution expenses		(6,506)	(5,261)
Administrative expenses		(19,780)	(12,967)
Other operating expenses		(2,361)	(853)
Write-offs of receivable balance from Lixcon Limited ("Lixcon")	7	<u>(12,431)</u>	<u>—</u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	4	(6,014)	10,942
Finance costs		<u>(4,418)</u>	<u>(5,305)</u>
(LOSS)/PROFIT BEFORE TAX		(10,432)	5,637
Tax	5	<u>(4,708)</u>	<u>(3,670)</u>
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(15,140)	1,967
Minority interests		<u>(13,965)</u>	<u>(4,817)</u>
LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(29,105)</u>	<u>(2,850)</u>
LOSS PER SHARE	6		
— Basic		<u>(0.73) cents</u>	<u>(0.07) cents</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 June 2003</b>	<b>31 December 2002</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		192,229	159,459
Intangible assets		14,283	15,030
Interest in associates		403	400
Long term receivables	7	—	24,431
Long term investment		741	994
Deposit for investment		10,413	10,413
		218,069	210,727
<b>CURRENT ASSETS</b>			
Inventories		142,834	211,149
Trade receivables	8	29,527	15,081
Current portion of long term receivables	7	9,000	2,700
Prepayments, deposits and other receivables		10,246	9,886
Cash and bank balances	9	42,151	26,312
		233,758	265,128
<b>CURRENT LIABILITIES</b>			
Trade payables	10	14,160	20,885
Accrued liabilities and other payables		20,095	22,492
Tax payable		451	2,395
Interest-bearing bank and other borrowings			
— due within one year		145,745	143,894
Current portion of finance lease payables		—	53
Due to a minority shareholder	11	31,027	26,861
		211,478	216,580
<b>NET CURRENT ASSETS</b>		22,280	48,548
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		240,349	259,275
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		—	2,947
		240,349	256,328
<b>MINORITY INTERESTS</b>			
		98,900	85,363
		141,449	170,965
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	39,934	39,934
Reserves		101,515	131,031
		141,449	170,965

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital (unaudited) <i>HK\$'000</i>	Share premium account (unaudited) <i>HK\$'000</i>	Transla- tion reserve (unaudited) <i>HK\$'000</i>	PRC statutory reserves (unaudited) <i>HK\$'000</i>	Goodwill/ capital reserve (unaudited) <i>HK\$'000</i>	Con- tributed surplus (unaudited) <i>HK\$'000</i>	Acc- umulated losses (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
At 1 January 2002	39,934	542,584	4,164	9,909	31	191,389	(588,342)	199,669
Appropriations to reserve funds by PRC subsidiaries	—	—	—	1,259	—	—	(1,259)	—
Net loss for the period	—	—	—	—	—	—	(2,850)	(2,850)
At 30 June 2002	<u>39,934</u>	<u>542,584</u>	<u>4,164</u>	<u>11,168</u>	<u>31</u>	<u>191,389</u>	<u>(592,451)</u>	<u>196,819</u>
At 1 January 2003	39,934	542,584	3,413	11,159	31	191,389	(617,545)	170,965
Exchange difference arising on translation of overseas subsidiaries and associates	—	—	(411)	—	—	—	—	(411)
Net loss not recognised in the income statement	—	—	(411)	—	—	—	—	(411)
Appropriations to reserve funds by PRC subsidiaries	—	—	—	806	—	—	(806)	—
Net loss for the period	—	—	—	—	—	—	(29,105)	(29,105)
At 30 June 2003	<u>39,934</u>	<u>542,584*</u>	<u>3,002*</u>	<u>11,965*</u>	<u>31*</u>	<u>191,389*</u>	<u>(647,456)*</u>	<u>141,449</u>

\* These reserve accounts comprise the consolidated reserves of HK\$101,515,000 (2002: HK\$131,031,000) in the condensed consolidated balance sheet.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2003</b>	<b>2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	12,009	12,031
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	4,458	(4,232)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(530)	(10,408)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15,937	(2,609)
Cash and cash equivalents at beginning of period	23,872	11,060
Effect of foreign exchange rate changes, net	(97)	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>39,712</u>	<u>8,451</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	42,151	15,300
Bank overdrafts	(2,439)	(6,849)
	<u>39,712</u>	<u>8,451</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2002.

The Group has adopted revised SSAP 12 "Income Taxes", which was effective for accounting periods commencing on or after 1 January 2003. Revised SSAP 12 "Income Taxes" prescribes that the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery and settlement of the carrying amount of assets and liabilities in the Group's balance sheet and transactions during the current period that should be recognised in the Group's financial statements. No significant impact of the revision of this SSAP on this report is noted.

In addition, during the Period, the wine jugs which were held for resale and accordingly recorded as inventories in previous years, were transferred to property, plant and equipment pursuant to a change of use. In the opinion of Directors, the wine jugs are now used for storage purpose which form part of the production equipment for wine manufacturing. These wine jugs are stated at cost less amortisation. Amortisation is provided on a straight-line basis over its useful lives which approximated to 20 years. At the date of transfer, the carrying amount of these wine jugs amounted to HK\$39,753,000.

### 2. SEGMENT INFORMATION

No segment information is presented for the Group's business and geographical segments as over 90% of the Group's revenue, assets and liabilities are derived from the production and distribution of wines and are derived from customers based in the People's Republic of China (the "PRC"). The analysis of the Group's business segment results is as follows:

	<b>Six months ended 30 June 2003 (Unaudited) HK\$'000</b>	<b>2002 (Unaudited) HK\$'000</b>
Segment turnover — from wine segment	<u>96,394</u>	<u>79,641</u>
Segment results — from wine segment	20,045	17,391
Unallocated income	92	37
Unallocated expenses	<u>(26,151)</u>	<u>(6,486)</u>
(Loss)/profit from operating activities	(6,014)	10,942
Finance costs	<u>(4,418)</u>	<u>(5,305)</u>
(Loss)/profit before tax	(10,432)	5,637
Tax	<u>(4,708)</u>	<u>(3,670)</u>
(Loss)/profit before minority interests	(15,140)	1,967
Minority Interests	<u>(13,965)</u>	<u>(4,817)</u>
Net loss from ordinary activities attributable to shareholders	<u>(29,105)</u>	<u>(2,850)</u>

### 3. TURNOVER AND REVENUE

Turnover represents the aggregate of the invoiced value of goods sold, net of discounts and returns. An analysis of the Group's turnover and revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2003</b>	<b>2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover — sales of wine	<u>96,394</u>	<u>79,641</u>
Other revenue:		
Interest income	92	—
Others	<u>719</u>	<u>166</u>
	<u>811</u>	<u>166</u>

### 4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities was determined after charging:

	<b>Six months ended 30 June</b>	
	<b>2003</b>	<b>2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Amortisation of intangible assets	680	688
Amortisation of wine jugs*	1,722	—
Auditors' remuneration	180	—
Directors' remuneration:		
— fees payable to a non-executive director	150	—
— other emolument	1,538	1,472
— performance bonus	<u>2,900</u>	<u>—</u>
	<u>4,588</u>	<u>1,472</u>
Depreciation	5,932	5,983
Legal and professional fees	2,584	546
Provision for impairment on long term investment	253	—
Provision for bad and doubtful debts**	1,923	—
Staff costs (excluding directors' remuneration as referred above):		
Wages and salaries	9,728	7,398
Retirement scheme contributions	<u>255</u>	<u>61</u>
	<u>9,983</u>	<u>7,459</u>

\* Items are charged as cost of sales as presented in the condensed consolidated income statement.

\*\* Items are charged as other operating expenses as presented in the condensed consolidated income statement.



## 5. TAX

No Hong Kong profits tax has been provided as the Group and its associates either had no assessable profits arising in Hong Kong or have available tax losses brought forward from prior years to offset assessable profits arising in Hong Kong for the Period (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 6. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on:

	<b>Six months ended 30 June 2003 (Unaudited)</b>	<b>2002 (Unaudited)</b>
<u>Loss:</u>		
Net loss from ordinary activities attributable to shareholders, used in the basic and diluted loss per share calculations	<u>HK\$29,105,000</u>	<u>HK\$2,850,000</u>
<u>Shares:</u>		
Weighted average number of ordinary shares in issue during the Period used in basic loss per share calculation	3,993,409,113	3,993,409,113
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the Period ( <i>Note</i> )	—	—
Weighted average number of ordinary shares used in diluted loss per share calculation	<u>3,993,409,113</u>	<u>3,993,409,113</u>

*Note:* Diluted loss per share for the six months ended 30 June 2003 and 2002 have not been shown because there were no potential ordinary shares in existence during the Period and the share options outstanding during the prior period had an anti-dilutive effect on the basic loss per share for that period.

## 7. LONG TERM RECEIVABLES

	<b>30 June 2003 (Unaudited)</b>	<b>31 December 2002 (Audited)</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term receivables from:		
Lixcon (a)	9,000	24,431
Alpha Best Holdings Limited (b)	—	2,700
	<u>9,000</u>	<u>27,131</u>
Portion classified under current assets	<u>(9,000)</u>	<u>(2,700)</u>
	<u>—</u>	<u>24,431</u>

## **7. LONG TERM RECEIVABLES** *(continued)*

*Notes:*

### **(a) Receivable from Lixcon**

As at 30 June 2003, the balance due from Lixcon amounted to HK\$9,000,000 (the "Debt") (31 December 2002: HK\$24,431,000). The Debt represents outstanding funds advanced to and trading balances with Lixcon and its subsidiaries before their disposal by the Group in 1997. The Company entered into an agreement with Lixcon in 2000 ("Initial Settlement Agreement") pursuant to which Lixcon agreed to repay the outstanding balances in future years according to agreed repayment schedule. In accordance with the repayment schedule as stipulated in the Initial Settlement Agreement, full settlement should have been made by March 2003.

During the year ended 31 December 2002, Lixcon defaulted on the repayment. In April 2003, the Company filed a claim against Lixcon and certain guarantors to recover the Debt due by Lixcon as at the date of the claim.

On 30 May 2003, the Company, Lixcon and certain guarantors entered into another settlement agreement (the "2nd Settlement Agreement") pursuant to which the Company agreed to waive a loan of HK\$8,431,000 and allowed Lixcon to repay the outstanding balance according to a revised repayment schedule. Subsequent to the execution of the 2nd Settlement Agreement and up to the balance sheet date, an aggregate amount of HK\$3,000,000 was received from Lixcon and the claim previously filed by the Company was withdrawn accordingly in June 2003.

Subsequent to the balance sheet date, on 18 July 2003, the same parties of the 2nd Settlement Agreement entered into a third settlement agreement (the "3rd Settlement Agreement") pursuant to which the Company agreed to waive a balance of HK\$4,000,000 and accepted a total sum of HK\$9,000,000 as full and final settlement of the outstanding amount.

To accord with the 2nd and 3rd Settlement Agreements, aggregate write-offs of the Debt amounting to HK\$12,431,000 were charged to the income statement for the Period. The respective outstanding balance of HK\$9,000,000 was then classified as current assets as presented on the balance sheet. Subsequent to the balance sheet date, the outstanding amount of HK\$9,000,000 was fully settled.

### **(b) Receivable from Alpha Best Holdings Limited**

The receivable due from Alpha Best Holdings Limited ("Alpha Best") represents sales proceeds receivable for the disposal of the Company's subsidiaries, Sinatone Limited and Dongguan Meijiang Electronics Manufacturers Co., Ltd. in 2000. The Company entered into agreements with Alpha Best pursuant to which Alpha Best agreed to repay the outstanding amounts in subsequent years according to the agreed repayment schedule. The balance was fully settled during the Period.

## 8. TRADE RECEIVABLES

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management. The analysis below shows aged trade receivables, net of provisions, based on the invoice date, which is when the goods are delivered.

	<b>30 June 2003 (Unaudited)</b> <i>HK\$ '000</i>	<b>31 December 2002 (Audited)</b> <i>HK\$ '000</i>
Current to 3 months	12,715	8,199
3 to 6 months	12,283	2,463
Over 6 months	4,529	4,419
	<u>29,527</u>	<u>15,081</u>

## 9. CASH AND BANK BALANCES

Subsequent to the balance sheet date, bank balances of RMB22,215,992 (equivalent to HK\$20,958,000) were pledged to an independent third party to secure a short-term loan made available to a subsidiary of the Group (*see note 15(d)*).

## 10. TRADE PAYABLES

The analysis below shows aged trade payables based on the date of the goods purchased and services rendered.

	<b>30 June 2003 (Unaudited)</b> <i>HK\$ '000</i>	<b>31 December 2002 (Audited)</b> <i>HK\$ '000</i>
Current to 3 months	4,083	16,565
3 to 6 months	2,440	2,059
Over 6 months	7,637	2,261
	<u>14,160</u>	<u>20,885</u>

## 11. DUE TO A MINORITY SHAREHOLDER

The balance due to a minority shareholder is unsecured, interest bearing at approximately 5.0% per annum (Period ended 30 June 2002: 5.0% per annum) and has no fixed terms of repayment. Total interest expenses charged for the Period was HK\$712,000 (Period ended 30 June 2002: HK\$17,000).

## 12. SHARE CAPITAL

	<b>30 June 2003 (Unaudited) HK\$'000</b>	<b>31 December 2002 (Audited) HK\$'000</b>
Authorised:		
25,000,000,000 (2002: 25,000,000,000) ordinary shares of HK\$0.01 each	<u>250,000</u>	<u>250,000</u>
50 (2002: 50) convertible preference shares of HK\$1,000,000 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
3,993,409,113 (2002: 3,993,409,113) ordinary shares of HK\$0.01 each	<u>39,934</u>	<u>39,934</u>

## 13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the balance sheet date. The Company had a contingent liability in respect of the guarantees of banking facilities granted to subsidiaries of the Group amounting to HK\$7,066,000 (2002: HK\$7,538,000).

## 14. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	<b>31 December 2002 (Audited) HK\$'000</b>
Capital commitments, contracted for acquisition of plant and machinery	<u>25,466</u>	<u>25,466</u>

## 15. POST BALANCE SHEET EVENTS

Save as disclosed elsewhere in these financial statements, the following significant post balance sheet events took place subsequent to 30 June 2003:

- (a) On 11 July 2003, the Group entered into an agreement with an independent third party pursuant to which the Group agreed to dispose of a property of the Group at a consideration of HK\$7,300,000. No significant profit or loss was arisen from such disposal.
- (b) As fully explained in note 7(a) to the financial statements, on 18 July 2003, the Company entered into a settlement agreement with Lixcon pursuant to which the Company agreed to accept a total sum of HK\$9,000,000 as full and final settlement of the balance due from Lixcon.

- (c) On 14 July 2003, a subsidiary of the Group entered into a loan agreement with a third party, pursuant to which this third party agreed to grant a maximum facility of HK\$80 million to the Group bearing interest at the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited ("HSBC") per annum, and is secured by charges over all issued shares and shareholders' loans of two subsidiaries of the Group. At the date of this interim report, HK\$80 million was advanced to the Group.
- (d) On 8 August 2003, a subsidiary of the Group entered into a loan agreement with another third party, pursuant to which this third party agreed to grant a maximum facility of HK\$21 million to the Group bearing interest at the best lending rate quoted by the HSBC per annum, and was secured by a share charges over all issued shares and shareholders' loan of a subsidiary of the Group and a charge over certain bank balances of a subsidiary. At the date of this interim report, approximately HK\$10.2 million was advanced to the Group and the bank balances of approximately RMB10.2 million were pledged.
- (e) Pursuant to the agreement dated 13 August 2003 entered into between a subsidiary of the Group and a third party, the Group agreed to grant a maximum facility of HK\$35 million to this third party bearing interest at a rate of 1% over the best lending rate quoted by the HSBC per annum. The loan was secured by a charge over all issued shares and shareholders' loan of a subsidiary of this third party. At the date of this interim report, HK\$30 million was advanced by the Group.
- (f) Pursuant to the agreement dated 23 September 2003 entered into between a subsidiary of the Group and another third party, the Group agreed to grant a maximum facility of HK\$35 million to this third party bearing interest at a rate of 1% over the best lending rate quoted by the HSBC per annum. The loan was secured by a charge over all issued shares and shareholders' loan of a subsidiary of this third party. At the date of this interim report, HK\$32.2 million was advanced by the Group.

The loans as stipulated in (c) to (f) above are repayable within 12 months from the first drawdown date of the respective loans.

## **16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were approved by the board of directors on 26 September 2003.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results**

For the Period, the Group recorded a turnover of approximately HK\$96.4 million (2002: HK\$79.6 million). Aggregate sales increased by 21.0% and the gross profit margin dropped from 37.49% to 35.53%. The net loss attributable to the shareholders was HK\$29.1 million (2002: HK\$2.9 million).

### **Operation Review and Prospects**

In the absence of new business ventures, the Group continued to focus on its core wine business. The Group believes that its wine business has good prospects and will bring a stable contribution to the Group. During the Period, the Group launched a series of sales promotion activities and recorded an increase in

turnover for both the PRC and Japanese markets. The Group will penetrate into more major cities in the PRC and Japan by widening its product range and seeking more distribution networks. The Group remains positive about the growth potential of the wine business.

Because of the positive prospects of the wine business and the continuing efforts to cut costs and reduce capital expenditures, the Group expects to be able to maintain stability in its revenues and earnings.

### **Liquidity and Financial Resources**

The Group generally financed its operations by cash generated from operations, banking facilities granted by its principal bankers and advances from a minority shareholder of a subsidiary. These advances from a minority shareholder are unsecured, interest bearing at approximately 5.0% per annum (2002: 5.0% per annum) and have no fixed term of repayment.

As at 30 June 2003, the Group's gearing ratio was 1.03 (2002: 0.86) (calculated on the basis of total bank loans over shareholders' funds).

The Group's total borrowings were approximately HK\$145.7 million, including HK\$2.4 million of bank overdrafts, HK\$1.2 million of trust receipt loans and HK\$142.1 million of short-term bank loans, all of which were repayable on demand or within one year. As at 30 June 2003, the bank overdrafts, trust receipt loans and short-term bank loans of the Group in the aggregate amount of HK\$7.0 million were secured by properties with carrying value of approximately HK\$7.7 million and a corporate guarantee from the Company. The remaining short-term bank loans of HK\$138.7 million were secured by a guarantee granted by a minority shareholder of a subsidiary.

Since the Group's core operation was in the PRC, it was expected that the Group had limited exposure to the fluctuation in exchange rates. Bank balances and bank borrowings were mainly denominated in Reminbi or Hong Kong dollars.

There had been no change in the share capital structure of the Company for the Period.

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at the balance sheet date. The Company had a contingent liability in respect of the guarantees of banking facilities granted to the subsidiaries of the Group amounting to HK\$7.0 million (2002: HK\$7.5 million).

### **Charge of Assets**

As at 30 June 2003, the Group had pledged its land and buildings with aggregate carrying value of approximately HK\$7.7 million to secure banking facilities granted to the Group.

Subsequent to 30 June 2003, the Group entered into two loan agreements with third parties. Pursuant to these agreements, two loan facilities with maximum amounts of HK\$80 million and HK\$21 million were granted to the Group. These

loans were interest bearing at the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited per annum, and were secured by charges over all issued shares of certain subsidiaries of the Group, shareholders' loans due by subsidiaries and a charge over certain bank balances. As at the date of this interim report, HK\$80 million and HK\$10.2 million were advanced to the Group respectively and the bank balances of approximately RMB10.2 million were pledged.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2003, the Group employed a work force of 700 (2002: 587) employees, 690 (2002: 575) of whom were in the PRC and the remaining 10 (2002: 12) were in Hong Kong. The employee costs (excluding directors' emoluments) amounted to approximately HK\$10.0 million (2002: HK\$7.4 million). Employee remuneration was in accordance with individual's responsibility and performance. Staff benefits include contribution to Mandatory Provident Fund Scheme, medical allowances and other fringe benefits.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the Period (2002: nil).

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES**

As at 30 June 2003, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows :—

### **Long Position in shares in the Company**

<b>Name of director</b>	<b>Number of ordinary shares held and nature of interest</b>		
	<b>Personal</b>	<b>Corporate</b>	<b>Total</b>
Kwee Cahyadi Kumala (Note 1)	52,500,000	727,410,624 (Note 2)	779,910,624
Chan Chuen Wing	52,500,000	—	52,500,000
Guan Xian Liang (Note 3)	32,500,000	—	32,500,000
Dequina Karen (Note 3)	5,000,000	—	5,000,000

Notes:

1. Mr. Kwee Cahyadi Kumala resigned from directorship on 7 August 2003.
2. The shares were held by Prestbury Incorporated Ltd., which is beneficially owned by Mr. Kwee Cahyadi Kumala.
3. Both Mr. Guan Xian Liang and Ms. Dequina Karen resigned from directorship on 30 July 2003.

Save as disclosed above, as at 30 June 2003, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures in the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

### **DIRECTORS' RIGHT TO ACQUIRE SHARES**

The share option scheme adopted by the Company on 16 September 1992 (the "Scheme") was expired on 15 September 2002 and no new share option scheme has been adopted to replace it. As at 30th June 2003, there were no share options granted nor outstanding under the Scheme.

Apart from the foregoing, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **INTERESTS DISCLOSURE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS**

So far as known to the Directors of the Company, as at 30 June 2003, the persons (other than the Directors or chief executives of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:—

#### **Long Position in shares in the Company**

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Percentage holding</b>
Prestbury Incorporated Ltd. (Note)	727,410,624	18.22%
Pan Asia Sat Media Ltd.	665,568,000	16.67%

*Note* :—

The ultimate beneficial owner of Prestbury Incorporated Ltd. is Mr. Kwee Cahyadi Kumala who resigned from directorship on 7 August 2003.

Save as disclosed above, as at 30 June 2003, the Directors of the Company were not aware of any other persons (other than the Directors or chief executives of the Company) who had any interests or short positions in the shares, underlying shares or debentures in the Company as recorded in the register required to be kept under Section 336 of the SFO.



## **PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

## **CORPORATE GOVERNANCE**

The Company had complied throughout the Period 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: (i) the independent non-executive directors of the Company were not appointed for specific terms and (ii) full board meeting was not held every six months.

By order of the Board

**Lee Tiong Hock**

*Director*

Hong Kong, 26 September 2003