

INTERIM REPORT 2003



**Nority International Group Limited**  
(Incorporated in the Cayman Island with limited liability)

## INTERIM RESULTS

The directors present the Interim Report and the unaudited condensed consolidated accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2003.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2003

		Unaudited Six months ended 30th June	
	Note	2003 HK\$'000	As restated 2002 HK\$'000
Turnover	2	239,475	174,009
Cost of sales		(226,419)	(150,347)
Gross profit		13,056	23,662
Other revenues		915	203
Selling expenses		(8,638)	(6,777)
Administrative expenses		(17,908)	(18,173)
Other operating (expenses)/ income, net		(336)	4,548
Operating (loss)/profit	3	(12,911)	3,463
Finance costs		(9)	(6)
(Loss)/profit before taxation		(12,920)	3,457
Taxation charge	5	(800)	(925)
(Loss)/profit after taxation		(13,720)	2,532
Minority interests		(1,590)	(1,026)
(Loss)/profit attributable to shareholders		(15,310)	1,506
(Loss)/earnings per share — Basic	7	HK\$(5.71) cents	HK\$0.56 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30th June 2003

	Note	Unaudited 30th June 2003 HK\$'000	As restated Audited (Note 1a) 31st December 2002 HK\$'000
<b>Non-current assets</b>			
Fixed assets	8	135,311	129,801
Investment securities		5,737	5,715
Deferred taxation	9	5,410	5,681
		<b>146,458</b>	<b>141,197</b>
<b>Current assets</b>			
Inventories		73,437	79,996
Trade and bills receivables	10	92,422	57,868
Deposits, prepayments and other receivables		2,421	1,978
Other investments		624	618
Taxation recoverable		—	208
Pledged bank deposits		—	15,652
Bank balances and cash		55,777	54,866
		<b>224,681</b>	<b>211,186</b>
<b>Current liabilities</b>			
Trade payables	11	51,680	27,173
Accruals and other payables		34,426	28,471
Taxation payable		10,090	9,784
Retirement benefit obligations — current portion		4,051	3,886
Short-term bank loan, secured		11,265	11,161
Bank overdrafts, secured		3,173	634
		<b>114,685</b>	<b>81,109</b>
<b>Net current assets</b>		<b>109,996</b>	<b>130,077</b>
<b>Total assets less current liabilities</b>		<b>256,454</b>	<b>271,274</b>
<b>Financed by:</b>			
Share capital	12	26,810	26,810
Reserves		216,997	226,825
Proposed final dividend		—	5,362
<b>Shareholders' funds</b>		<b>243,807</b>	<b>258,997</b>
Minority interests		7,086	6,747
<b>Non-current liabilities</b>			
Deferred taxation	9	117	138
Retirement benefit obligations — non-current portion		5,444	5,392
		<b>256,454</b>	<b>271,274</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2003

	Unaudited	
	Year ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(3,502)	31,679
Net cash from/(used in) investing activities	3,020	(19,264)
Net cash used in financing activities	(1,146)	(6,467)
(Decrease)/increase in cash and cash equivalents	(1,628)	5,948
Cash and cash equivalents at 1st January	54,232	32,067
Cash and cash equivalents at 30th June	52,604	38,015
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	55,777	40,157
Bank overdrafts	(3,173)	(2,142)
	52,604	38,015

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003

	Unaudited							
	Share capital	Share premium	Exchange fluctuation reserve	Capital reserve (note (i))	Working capital reserve (note (ii))	Investment properties revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003, as previously reported	26,810	47,986	(2,137)	(1,000)	1,275	160	180,262	253,356
Changes in accounting policy — provision for net deferred tax (liabilities)/ assets (note 1a)	—	—	—	—	—	(40)	5,681	5,641
At 1st January 2003, as restated	26,810	47,986	(2,137)	(1,000)	1,275	120	185,943	258,997
Loss for the period	—	—	—	—	—	—	(15,310)	(15,310)
Exchange difference arising from translation of the accounts of an overseas subsidiary	—	—	120	—	—	—	—	120
At 30th June 2003	26,810	47,986	(2,017)	(1,000)	1,275	120	170,633	243,807

	Unaudited							
	Share capital	Share premium	Exchange fluctuation reserve	Capital reserve (note (i))	Working capital reserve (note (ii))	Investment properties revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002, as previously reported	26,810	47,986	(2,134)	(1,000)	1,275	315	177,901	251,153
Changes in accounting policy — provision for net deferred tax (liabilities)/ assets (note 1a)	—	—	—	—	—	(78)	6,802	6,724
At 1st January 2002, as restated	26,810	47,986	(2,134)	(1,000)	1,275	237	184,703	257,877
Profit for the period	—	—	—	—	—	—	1,506	1,506
Exchange difference arising from translation of the accounts of an overseas subsidiary	—	—	450	—	—	—	—	450
Dividend	—	—	—	—	—	—	(5,362)	(5,362)
At 30th June 2002	26,810	47,986	(1,684)	(1,000)	1,275	237	180,847	254,471

### Notes:

- (i) The capital reserve of the Group represents the excess of the nominal value of the shares issued by the Company over the nominal value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which took place in 1993.
- (ii) The working capital reserve is a special reserve which represents the portion of the retained profits of the Taiwan branch of a subsidiary reserved for working capital of the branch in accordance with local statutory requirements. The working capital reserve is not distributable to shareholders.

## NOTES TO CONDENSED ACCOUNTS

### I **Basis of preparation and accounting policies**

These unaudited consolidated condensed accounts are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants ("HKSA").

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has adopted and implemented SSAP 12 (revised) "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003:

The effect of adopting the new accounting standard is set out below:

#### (a) **Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening reserves at 1st January 2002 and 2003 have been increased by HK\$6,724,000 and HK\$5,641,000, respectively, which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st December 2002 by HK\$5,681,000 and HK\$40,000, respectively. The profit for the six months ended 30th June 2002 has been decreased by HK\$552,000.

## 2 Segment information

The group has only one single business segment which is the manufacture and export of athletic and athletic-style footwear. Accordingly, the commented figures represent the segment information for this sole business segment for the period.

An analysis of the Group's revenue and results for the period by geographical markets is as follows:

	Six months ended 30th June 2003		Six months ended 30th June 2002	
	Turnover HK\$'000	Segment results HK\$'000	Turnover HK\$'000	Segment results HK\$'000
North America	113,952	(311)	91,339	12,778
Europe	91,862	2,692	59,873	5,222
Others	33,661	2,037	22,797	3,455
	<u>239,475</u>	<u>4,418</u>	<u>174,009</u>	<u>21,455</u>
Other revenues		915		203
Unallocated costs		<u>(18,244)</u>		<u>(18,195)</u>
Operating (loss)/profit		<u>(12,911)</u>		<u>3,463</u>

Sales are based on the country in which the customer is located. There are no sales between segments.

## 3 Operating (loss)/profit

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000

Operating (loss)/profit is stated after crediting and charging the following:

### Crediting

Write-back of overprovision for commission payable in previous year (included in other operating income, net)	—	4,570
Write-back of overprovision for inventories	1,360	—
Gain on disposal of fixed assets	60	19

### Charging

Amortisation and depreciation of fixed assets	7,225	9,514
Net exchange loss	336	26
Operating leases rental in respect of land and buildings	683	633

#### 4 Staff costs

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Wages and salaries	39,414	29,466
Retirement benefit costs	1,579	1,173
Severance payments	1,282	—
Other benefits	317	601
	<b>42,592</b>	<b>31,240</b>

#### 5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the country in which the Group operates. No provision for Mainland China income tax has been made in the accounts as the Group does not have any assessable profit in Mainland China.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax	549	373
Overseas profits tax	1	—
Deferred taxation relating to the origination and reversal of temporary differences	403	552
Deferred taxation resulting from an increase in tax rate	(153)	—
	<b>800</b>	<b>925</b>



**5 Taxation (continued)**

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company is analysed as follows:

	<b>Six months ended 30th June</b>	
	<b>2003 HK\$'000</b>	<b>2002 HK\$'000</b>
(Loss)/profit before taxation	<b>(12,920)</b>	3,457
Calculated at a taxation rate of 17.5% (2002: 16%)	—	553
Income not subject to taxation	—	(299)
Expenses not deductible for taxation purposes	<b>550</b>	119
Deferred tax provision	<b>403</b>	552
Decrease in opening net deferred tax assets resulting from an increase in tax rate	<b>(153)</b>	—
<b>Taxation charge</b>	<b>800</b>	<b>925</b>

**6 Dividends**

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2003 (six months ended 30th June 2002: HK\$nil).

**7 (Loss)/earnings per share**

The calculation of basic loss per share for the six months ended 30th June 2003 is based on the Group's loss attributable to shareholders of HK\$15,310,000 and on 268,104,508 ordinary shares in issue during the period. The calculation of basic earnings per share for the six months ended 30th June 2002 is based on the Group's profit attributable to shareholders of HK\$1,506,000 as restated after adjustment of deferred taxation mentioned in note 1(a) and on 268,104,508 ordinary shares in issue during that period.

Diluted (loss)/earnings per share has not been presented as there are no dilutive potential ordinary shares.

**8 Fixed assets**

HK\$'000

**Audited**

Net book value  
At 31st December 2002

129,801

**Unaudited**

Additions

12,803

Disposals

(68)

Amortisation and depreciation charge

(7,225)

At 30th June 2003

135,311

## Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

The movement in the deferred tax assets/(liabilities) account is as follows:

	<b>Six months ended 30th June 2003 HK\$'000</b>	Year ended 31st December 2002 HK\$'000
At the beginning of the period/year	<b>5,543</b>	6,549
Deferred taxation charged to profit and loss account	<b>(250)</b>	(1,044)
Taxation credited to equity	<b>—</b>	38
	<b>5,293</b>	5,543

Deferred income tax assets are recognised for tax losses available to be carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$4,916,000 at 30th June 2003 (31st December 2002: HK\$4,916,000) available to be carried forward against future taxable income.

The movement in deferred tax assets and liabilities during the period/year is as follows:

Deferred tax assets/(liabilities)	Accelerated taxation depreciation		Provisions		Tax losses		Others		Total		
	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000	
	At the beginning of the period/year	944	987	1,487	1,379	603	1,550	2,509	2,633	5,543	6,549
	(Charged)/credited to profit and loss account	9	(43)	(45)	108	(338)	(947)	124	(162)	(250)	(1,044)
Credited to equity	—	—	—	—	—	—	—	38	—	38	
At the end of the period/year	<b>953</b>	<b>944</b>	<b>1,442</b>	<b>1,487</b>	<b>265</b>	<b>603</b>	<b>2,633</b>	<b>2,509</b>	<b>5,293</b>	<b>5,543</b>	

## 9 Deferred taxation (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	At 30th June 2003 HK\$'000	At 31st December 2002 HK\$'000
Deferred tax assets	5,410	5,681
Deferred tax liabilities	(117)	(138)
	<b>5,293</b>	<b>5,543</b>

The amounts shown in the consolidated balance sheet include the following:

Deferred tax assets to be recovered after more than 12 months	5,410	5,681
Deferred tax liabilities to be settled after more than 12 months	(117)	(138)

## 10 Trade and bills receivables

The ageing analysis of trade and bills receivables is as follows:

	At 30th June 2003 HK\$'000	At 31st December 2002 HK\$'000
0 — 30 days	53,729	28,080
31 — 60 days	24,224	20,460
61 — 90 days	6,454	2,380
Over 90 days	8,015	6,948
	<b>92,422</b>	<b>57,868</b>

The majority of the Group's turnover is on letter of credit with a credit period of up to 90 days or documents against payment. The remaining balances of turnover are on open account terms with a credit period of 30 to 60 days.

**11 Trade payables**

The ageing analysis of trade payables is as follows:

	<b>At 30th June 2003 HK\$'000</b>	<b>At 31st December 2002 HK\$'000</b>
0 — 30 days	<b>37,332</b>	17,510
31 — 60 days	<b>4,486</b>	4,562
61 — 90 days	<b>4,644</b>	2,096
Over 90 days	<b>5,218</b>	3,005
	<b>51,680</b>	27,173

**12 Share capital**

	<b>At 30th June 2003 HK\$'000</b>	<b>At 31st December 2002 HK\$'000</b>
Authorised 1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid 268,104,508 ordinary shares of HK\$0.10 each	<b>26,810</b>	26,810

**13 Commitments****(a) Capital commitments for construction of a factory in Mainland China**

	<b>At 30th June 2003 HK\$'000</b>	<b>At 31st December 2002 HK\$'000</b>
Contracted but not provided for	<b>6,744</b>	2,019

**13 Commitments (continued)****(b) Commitments under operating leases**

At 30th June 2003, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>At</b>	At
	<b>30th June</b>	31st December
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,140</b>	1,230
In the second to fifth year inclusive	<b>525</b>	1,050
	<b>1,665</b>	2,280

**14 Pledge of assets and guarantees**

The Group's banking facilities were secured by the following:

- (a) legal charges over certain land and buildings of the Group in Hong Kong and Taiwan with a total net book value of HK\$46 million (31st December 2002: HK\$46 million);
- (b) a corporate guarantee from the Company; and
- (c) joint and several guarantees from certain directors of the Company.

## INTERIM DIVIDEND

The directors do not recommend payment of an interim dividend for the six months ended 30th June 2003 (six months ended 30th June 2002: HK\$nil).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Business review and prospects

Turnover of the Group for the six months ended 30th June 2003 amounted to HK\$239,475,000 (six months ended 30th June 2002: HK\$174,009,000), representing an increase of 38% over the corresponding period last year. Loss attributable to shareholders was HK\$15,310,000, as compared to profit of HK\$1,506,000 for the same period last year.

The Group's core business is the manufacture and sale of athletic-style leisure footwear, as well as the manufacture of working shoes, safety shoes and golf shoes.

The Group's business environment was still difficult. Due to the outbreak of atypical pneumonia and the regional instability in the Middle East, the global economic situation remained uncertain, while the business environment remained extremely harsh, and competition within the industry was increasingly intense. Although the Group has made its greatest effort in respect of cost control, its overall revenue has been distressed by the falling unit price of shoe products.

We consider that under the current business environment, apart from focusing on cost control and market exploration, we also need to emphasize the importance of more efficient resource allocation as well as prompt market response. Accordingly, we will endeavor for the reinforcement of internal management, and concentrate our resources on high-margin products.

Despite a less favourable economic environment, the Board still believes that the Group's results will improve under the above measures.

### Liquidity, financial resources and charge on Group assets

As at 30th June 2003, excluding pledged deposits, the Group had available bank and cash balances of HK\$53 million (31st December 2002: HK\$54 million). There were no pledged bank deposits as at 30th June 2003 (31st December 2002: HK\$16 million). At 30th June 2003, the Group's banking facilities amounted to HK\$35 million (31st December 2002: HK\$35 million) and were secured by legal charges over certain land and buildings of the Group in Hong Kong and Taiwan with a total net book value of HK\$46 million (31st December 2002: HK\$46 million).

The gearing ratio of the Group (total borrowings to total shareholders' equity) was 5.9% only (31st December 2002: 4.6%). The bank borrowings are interest bearing at prevailing market rates.

**Employees and remuneration policy**

As of 30th June 2003, the Group employed approximately 30 staff in Hong Kong and Taiwan offices and had approximately 6,000 workers working in the Group's processing bases in Mainland China. Besides offering competitive remuneration packages to the employees, discretionary bonuses may also be granted to eligible employees based on the Group's and the individuals' performance.

**Exposure to fluctuations in exchange rates**

Whilst the sales of the Group are mainly denominated in U.S. dollars, the purchases of raw materials and the expenditure are mainly denominated in Hong Kong dollars, Renminbi and New Taiwan dollars. Bank borrowings are denominated in Hong Kong dollars. As the exchange rates of above currencies against Hong Kong dollars are relatively stable, the Directors consider that the Group's exposure to exchange fluctuations is relatively low.

**Contingent liabilities**

As at 30th June 2003, the Group has no significant contingent liabilities.

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

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

The share option scheme of the Company adopted on 16th January 1993 (the "Old Scheme") has expired on 16th January 2003. At the 2003 Annual General Meeting of the Company held on 10th June 2003, a new share option scheme (the "New Scheme") of the Company was adopted by the shareholders of the Company to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Under the terms of the Old and the New Schemes, the Directors of the Company may grant share options to employees of the Company or its subsidiaries, including Directors of any of such companies, to subscribe for shares in the Company subject to the terms and conditions stipulated therein. However, no share options were granted during the period or outstanding as at 30th June 2003.

Apart from the share option schemes mentioned above,

- (a) none of the Directors and chief executives or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right; and
- (b) at no time during the period was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30th June 2003, the interests of the Directors in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

<b>Name of Director</b>	<b>Number of ordinary shares of the Company held Personal interest</b>
FENG Shen Chuan	72,610,209
HUNG Kun Fu	2,600,000
KUO Shu Chen	3,067,248
FENG Yung Chuan	7,501,500
WU Xiaolin	80,000

Save as disclosed above and other than certain nominee shares in subsidiaries held by Mr FENG Shen Chuan in trust for the Group as at 30th June 2003, none of the Directors and chief executives had any other beneficial interests in the shares of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2003, so far as is known to the Company, the following shareholders, other than directors or chief executives of the Company, had interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO were as follows:

<b>Name</b>	<b>Number of ordinary shares</b>
Micon Limited	114,118,540
KUO HUANG, CHIN KUAN	18,038,000

Notes: Micon Limited is a wholly-owned subsidiary of South China Industries Limited which is itself a subsidiary of South China Holdings Limited.

Save as disclosed above, as at 30th June 2003, the Company is not aware of any other shareholders who had interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO.



## AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group and discussed judgemental issues, accounting estimates, adequacy of disclosures, internal consistency of the interim report including a review of the Group's unaudited condensed interim accounts for the six months ended 30th June 2003.

## CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied 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 throughout the accounting period covered by the interim report, except the term of office for the Independent Non-Executive Directors of the Company are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

## OTHER DISCLOSURE

Apart from above, other areas which are required to be discussed under the requirements of paragraph 40 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and paragraph 16 of Hong Kong Statement of Standard Accounting Practice ("HKSSAP") No. 25 "Interim financial reporting", either have no material changes from the information disclosed in the annual report of the Group for the year ended 31st December 2002 or are considered not significant to the Group's operations, and hence no additional disclosure has been made in this report.

By Order of the Board

**Feng Shen Chuan**

*Chairman*

Hong Kong, 9th September 2003