



永恩國際集團有限公司  
Prime Success International Group Limited

Good living

comes from

Quality



INTERIM REPORT  
2003



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## MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of Prime Success International Group Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (together called the “Group”) for the six months ended 30 June 2003, together with comparative figures for the corresponding period in 2002.

### INTERIM DIVIDEND

The Board has resolved on 25 September 2003 to declare an interim dividend of HK1.00 cent (2002: HK0.80 cent) per ordinary share for the year ending 31 December 2003. The interim dividend will be payable on or before Saturday, 8 November 2003 to shareholders whose names appear on the register of members of the Company at 4:00 p.m. on Monday, 27 October 2003.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 October 2003 to Thursday, 30 October 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the registrar of the Company in Hong Kong, Secretaries Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Monday, 27 October 2003.

### BUSINESS REVIEW

The Group made a good start to the year despite the spread of SARS outbreak in mid March this year in Hong Kong, the PRC and other countries. Unaudited consolidated turnover of the Group for the first half of 2003 was approximately HK\$673.9 million (2002: HK\$573.0 million), representing an increase of 17.6% as compared to the corresponding period last year. Profit attributable to shareholders has surged more than tenfold and reached approximately HK\$20.7 million compared to the prior same period. The increase reflected a relatively strong growth in footwear business especially in the PRC market. Basic earnings per share rose to HK1.38 cent from HK0.12 cent compared to the same period last year.

#### *The US market*

The US market reported a turnover for the first half year of approximately HK\$368.5 million, compared with approximately HK\$317.4 million for the same period in 2002, representing an increase of 16.1%. Profit contributed from this segment was approximately HK\$24.7 million, which increased by 2.4 times compared to the prior same period. Better result over same period of last year was mainly due to effective tight control of operating costs, manufacturing costs and better pricing. It is anticipated that the result from the US market will further improve for the second half of the year as the Group is able to secure more orders with better margin.



## ***The PRC market***

The turnover in the PRC market grew 29.3% to approximately HK\$293.7 million for the first six months over the same period in 2002. The reporting market made a contributed profit of approximately HK\$4.4 million, as compared to a profit of approximately HK\$3.8 million for the same period last year. Sales were affected slightly in the second quarter due to the outbreak of SARS in some cities in the PRC. However, underlying brand recognition and enhanced marketing and sales activities continue to support the expansion of the PRC market as the consumer purchasing behaviour returns to normal.

Expecting that the existing production facilities located in the PRC will be near to full utilisation and anticipating increase in future orders, the Board decided to set up a wholly-owned foreign enterprise as a new production plant in Anhui Province in July 2003, in which the total investment will be approximately HK\$31.2 million. The construction of the entire production plant is estimated to be completed by the end of 2004.

Furthermore, the Board resolved to build a logistic centre in Shanghai. The centre will provide all-round services in order to enhance the efficiency and effectiveness of distribution, supplying and warehouse management for “Daphne” products in the PRC. The total investment for building the logistic centre is approximately HK\$8.7 million. The anticipated completion of construction of this centre will be in the first quarter of 2004.

## **PROSPECTS**

The Group will continue to focus on increasing its market shares of “Daphne” products in the PRC and seek new business opportunities that can meet the Group’s strengths and can increase our shareholders’ value. At present, there is a total of more than 1,800 “Daphne” selling points throughout the major cities of the PRC of which about 420 selling points are “Daphne” speciality shops. In addition, there are 7 “Adidas” specialty shops operating in major cities of the PRC. The Group will continue to increase the number of “Daphne” selling points, in particular, the “Daphne” speciality shops to cover a greater geography to further enhance its sales and distribution networks and competitive edge in the PRC.

The Group has taken steps to rationalise itself to be more competitive, the Group’s results for the second half of 2003 are expected to perform well for the second half of the year assuming the worldwide economy continue to recover and the consumer sentiment is not adversely affected.

## **FINANCIAL REVIEW**

### ***Liquidity and capital structure***

Shareholders’ funds as at 30 June 2003 totalled approximately HK\$351.4 million, compared to approximately HK\$347.8 million as at 31 December 2002. Current ratio of the Group slightly improved from 1.48 as at 31 December 2002 to 1.49 as at 30 June 2003, being total current assets divided by total current liabilities.



### *Net debt and gearing*

As at 30 June 2003, net borrowings, being total borrowings less cash and cash equivalents, were approximately HK\$55.8 million, compared to approximately HK\$20.6 million as at 31 December 2002. The Group's gearing ratio was 44.7% compared to 43.3% as at 31 December 2002, as computed by dividing total borrowings by shareholders' funds. All of the borrowings are short term in nature and on a fixed rate basis.

### *Charges on group assets*

Certain leasehold land and buildings of the Group with a total carrying value of approximately HK\$32.5 million as at 30 June 2003 were pledged to banks in the PRC to secure general banking facilities granted to the Group.

### *Exchange rate exposure*

The Group's monetary assets, liabilities and transactions are primarily denominated in Hong Kong dollars, Renminbi, US dollars and New Taiwan dollars. As Hong Kong dollar is pegged to the US dollar, and there is no significant fluctuation in the exchange rates between Hong Kong dollar, Renminbi and New Taiwan dollar, the Group believes that the risk of exposure to fluctuations in exchange rates is at the minimal in the near future. However, the Group reviews from time to time and decides if necessary to enter into forward contracts for hedging purposes to minimise any impact arising out of exchange fluctuation.

### *Contingent liabilities*

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

### *Future capital investments*

The Group set up a foreign wholly-owned subsidiary in Anhui Province, the PRC with registered capital of approximately HK\$31.2 million. The subsidiary will be a production plant to the Group containing four production lines. The registered capital of approximately HK\$9.4 million will be injected by the Group this year, further approximately HK\$9.4 million in 2004, and remaining approximately HK\$12.4 million by the end of 2006. Meanwhile, the investment of approximately HK\$8.7 million for the logistic centre will be paid by six instalments in accordance with the progress of constructions starting from September 2003. The funding of these two investments will be financed by internal resources and working capital.

## **HUMAN RESOURCES**

As at 30 June 2003, the Group had over 13,000 employees in Hong Kong, the PRC and Taiwan. The Group remunerates its employees according to the prevailing industry practices in the respective regions in which it operates. In addition to basic salaries and retirement pension schemes, employees are rewarded with performance-related bonuses, as well as share options.

## **ACKNOWLEDGEMENT**

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers, and shareholders. I would also like to thank our colleagues for their valuable contribution to the Group and dedicated services throughout the period.



## OTHER INFORMATION

### *Purchase, sale or redemption of the Company's listed securities*

The Company did not redeem any of its listed securities during the six months ended 30 June 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

### *Directors' interests*

As at 30 June 2003, the interests of each director and chief executive in the shares, underlying shares of the Company and its associated corporations (within the meaning 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:

Name of director		Interests held	Number of shares held	Percentage
Chang Wen I	Long positions	Corporate ( <i>Note</i> )	449,669,995	30.01

*Note: These shares are registered in the name of and beneficially owned by Lucky Earn International Ltd., a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr Chang Wen I.*

In addition to the above, Mr Chang Wen I, the Chairman of the Company, and Mr Chen Hsien Min, the Managing Director of the Company, also hold non-voting deferred shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

Other than as stated above no director or chief executive of the Company had any interests, whether beneficial or non-beneficial, in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO).

### *Share options*

The share option scheme of the Company adopted on 9 October 1995 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was approved by the shareholders at an extraordinary general meeting held on 29 May 2003 to comply with Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As a result, the Company may no longer grant further options under the Old Share Option Scheme.

As at 30 June 2003, no options granted under the Old Share Option Scheme remained outstanding and no options were granted under the New Share Option Scheme during the period.

***Substantial shareholders' interests***

As at 30 June 2003, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% 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 executives.

Name of shareholder		Interests held	Number of shares held	Percentage
Top Glory Assets Limited	Long positions	Corporate	217,692,895 ( <i>Note 1</i> )	14.53
Pushkin Holding Ltd.	Long positions	Corporate	149,838,920 ( <i>Note 2</i> )	9.99

*Notes:*

1. Mr Chen Yi Hsun and Ms Chen Yi Chen, the son and daughter of Mr Chen Hsien Min respectively, have beneficial interests in 50% each in Top Glory Assets Limited, a company incorporated in British Virgin Islands; and
2. Mr Chen Ying-Che, the brother of Mr Chen Ying-Chieh, a director of the Company, has 60% of the issued share capital of Pushkin Holding Ltd., a company incorporated in the British Virgin Islands.

***Compliance with the Code of Best Practice of the Listing Rules***

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules at any time during the six months ended 30 June 2003.

***Audit committee***

The Audit Committee comprising two independent non-executive directors, Messrs Kuo Jung-Cheng and Huang Shun-Tsai, has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts of the Group for the six months ended 30 June 2003 with the directors of the Company.



**Condensed Consolidated Profit and Loss Account**  
FOR THE SIX MONTHS ENDED 30 JUNE 2003

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2003</b>	2002
		<b>HK\$'000</b>	<i>HK\$'000</i>
			<i>Restated</i>
Turnover	2	<b>673,900</b>	573,027
Other revenues		<b>2,643</b>	1,683
Changes in inventories of finished goods and work in progress		<b>(29,885)</b>	3,648
Raw materials and consumables used		<b>(368,342)</b>	(330,606)
Staff costs		<b>(112,258)</b>	(112,429)
Depreciation		<b>(5,197)</b>	(6,861)
Other operating expenses		<b>(130,194)</b>	(116,969)
		<hr/>	<hr/>
Operating profit		<b>30,667</b>	11,493
Finance costs		<b>(3,133)</b>	(4,499)
Share of results of an associated company		<b>123</b>	34
		<hr/>	<hr/>
Profit before taxation		<b>27,657</b>	7,028
Taxation	3	<b>(3,685)</b>	(3,544)
		<hr/>	<hr/>
Profit after taxation		<b>23,972</b>	3,484
Minority interests		<b>(3,277)</b>	(1,684)
		<hr/>	<hr/>
Profit attributable to shareholders		<b>20,695</b>	1,800
		<hr/> <hr/>	<hr/> <hr/>
Dividend	4	<b>14,984</b>	11,987
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – basic	5	<b>HK1.38 cent</b>	HK0.12 cent
		<hr/> <hr/>	<hr/> <hr/>



**Condensed Consolidated Balance Sheet**

AS AT 30 JUNE 2003

	30 June 2003	31 December 2002
Note	HK\$'000 Unaudited	HK\$'000 Audited and Restated
<b>Non-current assets</b>		
Fixed assets	6 131,125	128,898
Interest in an associated company	2,416	2,326
Investment securities	37,437	37,437
Deferred tax assets	12,777	10,769
	<u>183,755</u>	<u>179,430</u>
<b>Current assets</b>		
Inventories	257,544	278,090
Trade receivables	7 173,309	132,140
Other receivables and prepayments	64,571	52,602
Bank balances and cash	101,136	129,944
	<u>596,560</u>	<u>592,776</u>
<b>Current liabilities</b>		
Trade payables	8 185,504	188,157
Other payables and accrued charges	49,847	52,398
Amount due to an associated company	350	656
Amounts due to investee companies	1,376	1,389
Taxation payable	5,990	6,032
Bank loans	9 156,938	150,580
	<u>400,005</u>	<u>399,212</u>
Net current assets	<u>196,555</u>	<u>193,564</u>
Total assets less current liabilities	<u>380,310</u>	<u>372,994</u>
Financed by:		
Share capital	10 149,839	149,839
Reserves	201,606	197,978
Shareholders' funds	351,445	347,817
Minority interests	28,120	24,642
Deferred tax liabilities	745	535
	<u>380,310</u>	<u>372,994</u>



**Condensed Consolidated Statement of Changes in Equity**  
FOR THE SIX MONTHS ENDED 30 JUNE 2003

Unaudited

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange difference HK\$'000	Goodwill HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2003	149,839	2,315	2,882	1,184	(9,594)	(36,782)	322	9,060	218,357	337,583
as previously reported										
Effect of adopting SSAP 12 (revised)	-	-	-	(390)	-	-	-	-	10,624	10,234
At 1 January 2003 as restated	149,839	2,315	2,882	794	(9,594)	(36,782)	322	9,060	228,981	347,817
Exchange differences	-	-	-	-	914	-	-	-	-	914
Transfer	-	-	-	-	-	-	-	1,583	(1,583)	-
Share of an associated company's reserve movements	-	-	-	-	-	-	-	8	(8)	-
Profit for the period	-	-	-	-	-	-	-	-	20,695	20,695
2002 final dividend paid	-	-	-	-	-	-	-	-	(17,981)	(17,981)
At 30 June 2003	149,839	2,315	2,882	794	(8,680)	(36,782)	322	10,651	230,104	351,445

**Condensed Consolidated Statement of Changes in Equity** (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2003

## Unaudited

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange difference HK\$'000	Goodwill HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2002	149,839	2,315	2,882	1,184	(7,576)	(36,782)	322	8,328	205,492	326,004
as previously reported	-	-	-	(390)	-	-	-	-	10,359	9,969
Effect of adopting SSAP 12 (revised)										
At 1 January 2002 as restated	149,839	2,315	2,882	794	(7,576)	(36,782)	322	8,328	215,851	335,973
Exchange differences	-	-	-	-	(747)	-	-	-	-	(747)
Transfer	-	-	-	-	-	-	-	957	(957)	-
Share of an associated company's reserve movements	-	-	-	-	36	-	-	2	(2)	36
Profit for the period	-	-	-	-	-	-	-	-	1,800	1,800
At 30 June 2002	149,839	2,315	2,882	794	(8,287)	(36,782)	322	9,287	216,692	337,062



***Condensed Consolidated Cash Flow Statement***  
***FOR THE SIX MONTHS ENDED 30 JUNE 2003***

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash outflow from operating activities	(7,775)	(4,292)
Net cash used in investing activities	(7,427)	(5,305)
Net cash used in financing activities	(14,528)	(12,102)
Decrease in cash and cash equivalents	(29,730)	(21,699)
Cash and cash equivalents at 1 January	129,917	141,497
Effect of foreign exchange rate changes	949	(704)
Cash and cash equivalents at 30 June	<b>101,136</b>	<b>119,094</b>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>101,136</b>	<b>119,094</b>



## *Notes to the Condensed Accounts*

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

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

These interim 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 interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2002 except that the Group has changed its accounting policy following its adoption of SSAP 12 “Income Taxes” (revised) which is applicable and effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group’s accounting policy and the effect of adoption of this revised SSAP 12 are set out below:

Upon adoption of SSAP 12 (revised), 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 the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.



As detailed in the condensed consolidated statement of changes in equity, opening retained earnings at 1 January 2002 and 2003 have been increased by approximately HK\$10,359,000 and approximately HK\$10,624,000 respectively, which represent the unrecognised net deferred tax assets. This change has resulted in an increase in deferred tax liabilities and deferred tax assets at 31 December 2002 by approximately HK\$535,000 and approximately HK\$10,769,000 respectively. The profit and amount charged directly to equity for the six months ended 30 June 2002 have been increased by approximately HK\$493,000 and reduced by approximately HK\$390,000 respectively.

## 2 Segment information

The Group is principally engaged in the manufacturing and distribution of footwear products.

### *Business segments*

The Group has only one single business segment which is the manufacturing and distribution of footwear products. Accordingly, the consolidated figures represent the segment information for this sole business segment for the period.

### *Geographical segments*

In presenting information on the basis of geographical segments, segment turnover and segment results are based on the geographical location of customers.

	Six months ended 30 June 2003		Six months ended 30 June 2002	
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
United States of America (the "US")	368,497	24,700	317,437	7,309
The People's Republic of China (the "PRC")	293,717	4,390	227,212	3,781
Others	11,686	407	28,378	746
	<u>673,900</u>	<u>29,497</u>	<u>573,027</u>	11,836
Income derived from an unlisted investment		1,500		-
Interest income		322		116
Unallocated expenses		(652)		(459)
Operating profit		<u>30,667</u>		<u>11,493</u>

### 3 Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group does not have any assessable profit arising in Hong Kong. Taxation on profits arising outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the relevant jurisdictions in which the Group operates.

Certain subsidiaries of the Company operating in the PRC are eligible for certain tax exemptions and concessions including tax holiday and reduced enterprise income tax rate. Accordingly, PRC income tax for such subsidiaries has been provided after taking account of these tax exemptions and concessions.

The amount of taxation charged/(credited) to the condensed consolidated profit and loss account represents:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	<i>HK\$'000</i>
		<i>Restated</i>
Current taxation		
– Taxation outside Hong Kong	<b>5,450</b>	4,028
Deferred taxation relating to the origination and reversal of temporary differences	<b>(1,798)</b>	(493)
Share of taxation attributable to an associated company	<b>33</b>	9
	<b>3,685</b>	3,544

### 4 Dividend

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	<i>HK\$'000</i>
Interim, declared of HK1.00 cent (2002: HK0.80 cent) per ordinary share	<b>14,984</b>	11,987



*Notes:*

- (a) *At a meeting held on 16 April 2003, the directors proposed a final dividend of HK1.20 cent per ordinary share for the year ended 31 December 2002, which was paid on 18 June 2003 and has been reflected as an appropriation of retained profits for the six months ended 30 June 2003; and*
- (b) *At a meeting held on 25 September 2003, the directors declared an interim dividend of HK1.00 cent per ordinary share for the year ending 31 December 2003. This declared dividend is not reflected as a dividend payable in these condensed interim accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2003.*

## 5 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$20,695,000 (2002 as restated: HK\$1,800,000) and the weighted average number of 1,498,392,384 (2002: 1,498,392,384) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares as at 30 June 2003. As the respective prices of the share options were greater than the average market prices of the Company's share for the six months ended 30 June 2002 and all share options granted by the Company to the employees lapsed on 28 March 2002, there was no dilution effect on the basic earnings per share.

## 6 Fixed assets

	Six months ended 30 June 2003 HK\$'000
Opening net book value	128,898
Exchange adjustment	(35)
Additions	7,749
Depreciation	(5,197)
Disposals	(290)
	<hr/>
Closing net book value	<u><u>131,125</u></u>



## 7 Trade receivables

The ageing analysis of trade receivables by invoice date is as follows:

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
Current	<b>97,588</b>	55,193
31 – 60 days	<b>27,877</b>	31,147
61 – 90 days	<b>16,010</b>	18,892
91 – 120 days	<b>13,684</b>	8,802
121 – 180 days	<b>4,491</b>	5,186
181 – 360 days	<b>10,690</b>	12,040
Over 360 days	<b>2,969</b>	880
	<b><u>173,309</u></b>	<u>132,140</u>

The Group generally allows an average credit period of 30 to 60 days to its trade customers other than major and long established customers with whom specific terms will be agreed between the Group and the relevant counter parties.

## 8 Trade payables

The ageing analysis of trade payables by invoice date is as follows:

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
Current	<b>95,080</b>	115,907
31 – 60 days	<b>47,732</b>	41,846
61 – 90 days	<b>18,833</b>	15,444
91 – 120 days	<b>13,842</b>	7,896
121 – 180 days	<b>4,200</b>	1,915
181 – 360 days	<b>5,699</b>	4,569
Over 360 days	<b>118</b>	580
	<b><u>185,504</u></b>	<u>188,157</u>



## 9 Bank loans

As at 30 June 2003, the Group's bank loans of approximately HK\$113,493,000 (31 December 2002: HK\$70,593,000) were secured by the following assets of the Group:

- (a) certain leasehold land and buildings of an aggregate net book value of approximately HK\$32,466,000 (31 December 2002: HK\$40,763,000); and
- (b) a listed investment securities with nil (31 December 2002: nil) carrying value.

As at 31 December 2002, an export value-added tax recoverable of approximately HK\$4,418,000 was pledged against the Group's short-term bank loan of approximately HK\$3,090,000.

## 10 Share capital

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.1 each	<b><u>1,000,000</u></b>	<u>1,000,000</u>
<i>Issued and fully paid:</i>		
1,498,392,384 ordinary shares of HK\$0.1 each	<b><u>149,839</u></b>	<u>149,839</u>

## 11 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2003 HK\$'000</b>	2002 HK\$'000
Purchases from an associated company	<i>(a)</i>	<b>685</b>	3,406
Purchases from an investee company	<i>(b)</i>	<b><u>2,751</u></b>	<u>1,601</u>



*Notes:*

- (a) Purchases from an associated company, Dayong Shoe Material Co., Ltd. Hanjiang Putian City, were carried out in accordance with terms as determined and agreed between both parties; and*
- (b) Purchases from an investee company, Sun Home Leather Corporation ("Sun Home"), were carried out in accordance with terms as determined and agreed between both parties. The Company's directors, Messrs Chang Wen I and Chen Hsien Min are directors of Sun Home.*

On behalf of the Board

**CHANG WEN I**

*Chairman*

Hong Kong, 25 September 2003