

China Data Broadcasting Holdings Limited

(中華數據廣播控股有限公司)*

(Incorporated in Bermuda with limited liability)



2003
Interim Report

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This report, for which the directors of China Data Broadcasting Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Data Broadcasting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group's consolidated turnover for the six months ended 30 June 2003 was decreased by 97% to HK\$731,000 and the Group's operating loss before tax for the period was increased to HK\$3,907,000.

The Group's financial position is strong and its cash and bank balance was HK\$16 million approximately as at 30 June 2003.

BUSINESS REVIEW

During the period, the Group continues to act as a technical consultant and sourcing agent for parts and components of consumer electronic products (the "Procurement") and engage in the data-broadcasting business in the PRC. However, as the initial terms of the Procurement for a connected party commencing from mid 2002 expired on 31 December 2002 and no new agreement is reached up to the date of this report, the Group did not provide the Procurement during the period. For the period ended 30 June 2002, the Procurement contributed to the Group's turnover of HK\$22.7 million and gross profit of HK\$1.5 million, respectively.

As regards the data broadcasting business in the PRC, the prolonged depression of the PRC stock market and the intense competition created uncertain market of data broadcasting business in the PRC. In addition, as the National Standard for the data broadcasting industry has not formally been released, the Group adopted a prudent attitude towards the market demand and had scaled down certain of its business activities such as launching and provision of certain new products and systems, signing cooperative agreements with TV network operators and content providers, etc. As such, the Group had unsatisfactory results attained in this business during the period. The turnover derived from the sales of data broadcasting hardware and software and the provision of data broadcasting and related services decreased by 48% to HK\$731,000 for the period, compared with the corresponding period in 2002, leading to the operating loss incurred for the period.

The Group's financial position was strong as at 30 June 2003 - the cash balance was HK\$16 million whereas the total liabilities were HK\$5.4 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 30 June 2003, the Group is debt-free and its cash and bank balances amount to HK\$16 million. Net current assets of the Group was approximately HK\$11.3 million. The management is confident that the Group's financial resource is sufficient to finance its day-to-day operation.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, together with the minimal fluctuation in the exchange rate between Hong Kong dollar and Renminbi, the Group believes its exposure to exchange risk to be minimal.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2003, the total number of staff of the Group in the Mainland and Hong Kong was 22. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the mainland. Details of retirement benefit scheme are set out in the Group's 2002 Annual Report.

The Group established a Share Option Scheme to reward its employees for their individual performances. For the six months ended 30 June 2003, the Group has granted a total of 12,000,000 share options to its employees. Further details of the Scheme were disclosed in 2002 Annual Report. During the period under review, no share option had been granted nor exercised.

OTHER

On 15 May 2003, Ultra Challenge Limited, the then controlling shareholder of the Company, transferred entire 54.06% interests in the Company to Apex Digital, Inc., ("Apex Digital") and parties acting in concert with it pursuant to the deeds of gift (the "Deeds"). Upon the completion of the Deeds, the aggregate shareholding interests of Apex Digital and parties acting in concert with it in the Company increased from approximately 25.16% to 79.21%. Accordingly, an unconditional cash offer in compliance with Rule 26 of the Hong Kong Code on Takeover and Mergers to all shareholders (other than Apex Digital and parties acting in concert with it) to acquire all the issued shares not already owned by Apex Digital and parties acting in concert with it (the "Offer") was made. Reference is made to the Company's circular dated 9 June 2003 for details of the Offer.

OUTLOOK

With the four new executive directors on board of the directors (the “Board”), the Board recently conducted a detailed review on the existing business operations of the Group. In view of the broadened income base and considerable profits achieved by the provision for the Procurement during 2002, the Board believes that the development of the Procurement is an appropriate approach to building up a steady and considerable income stream of the Group. In addition, the Board is confident that the Group is able to make use of extensive experience of the four new directors in the consumer electronics industry to build up a steady and comprehensive Procurement business and to explore further business opportunities in the consumer electronics industry.

As regards the data broadcasting business in the PRC, the management realized that the Group indeed experience the deteriorating market demand and encounters severe difficulties in the market, especially the fierce competitions and the uncertainty in release of the relevant National Standard. Accordingly, the Board will continue to adopt the prudent attitude towards investing resources to develop products, to capitalize on its brand name advantage and to stress on establishment of its sale and after-sale network in attempt to enlarge the Group’s market share in the data broadcasting industry. In addition, the Board is keen to make periodic reviews on the Group’s data broadcasting business for formulating appropriate business strategies to cope with the changing market.

INTERIM RESULTS (UNAUDITED)

The board of directors of the Company is pleased to present the interim report of the Company and its subsidiaries (collectively, the "Group"). These interim results have not been audited, but have been reviewed by the Company's Audit Committee.

The unaudited condensed interim accounts of the Group for the three months and six months ended 30 June 2003 are as follows:

	Notes	For three months ended 30 June		For six months ended 30 June	
		2003	2002	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	408	23,599	731	24,060
Cost of sales		(406)	(22,004)	(708)	(22,432)
Gross profit		2	1,595	23	1,628
Other revenue		5	36	10	129
Selling and distribution costs		(63)	(107)	(123)	(201)
Administrative expenses		(2,142)	(1,108)	(3,817)	(2,465)
Operating profit/(loss) before tax	2,3	(2,198)	416	(3,907)	(909)
Tax	4	—	—	—	—
Profit/(Loss) before minority interests		(2,198)	416	(3,907)	(909)
Minority interests		111	—	192	123
Profit/(Loss) attributable to shareholders		<u>(2,087)</u>	<u>416</u>	<u>(3,715)</u>	<u>(786)</u>
Earnings/(Loss) per share Basic (HK cents)	5	<u>(0.66)</u>	<u>0.13</u>	<u>(1.17)</u>	<u>(0.25)</u>

CONSOLIDATED BALANCE SHEET

At 30 June 2003

		(Unaudited) 30 June 2003	(Audited) 31 December 2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets		841	294
Intangible asset		87	138
		<u>928</u>	<u>432</u>
CURRENT ASSETS			
Inventories		166	320
Trade receivables	6	247	397
Prepayments, deposits and other receivables		330	251
Cash and bank balances		15,955	26,366
		<u>16,698</u>	<u>27,334</u>
CURRENT LIABILITIES			
Trade payables	7	27	182
Other payables and accruals		4,950	5,241
Amount due to related companies		442	147
		<u>5,419</u>	<u>5,570</u>
NET CURRENT ASSETS		11,279	21,764
TOTAL ASSETS LESS CURRENT LIABILITIES		12,207	22,196
MINORITY INTERESTS		675	(5,599)
		<u>12,882</u>	<u>16,597</u>
CAPITAL AND RESERVE			
Issued shares		7,950	7,950
Reserves		4,932	8,647
		<u>12,882</u>	<u>16,597</u>

CONSOLIDATED SUMMARY STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Total equity at 1 January	<u>16,597</u>	<u>20,603</u>
Exchange differences on translation of the financial statements of foreign entity	<u>—</u>	<u>—</u>
Net loss not recognised in the profit and loss account	—	—
Net loss for the period attributable to shareholders	<u>(3,715)</u>	<u>(786)</u>
Total equity at 30 June	<u><u>12,882</u></u>	<u><u>19,817</u></u>

**CONDENSED CONSOLIDATED CASH FLOW
STATEMENTS - UNAUDITED**

For the six months ended 30 June 2003

	Six months ended 30 June 2003 <i>HK\$'000</i>	Six months ended 30 June 2002 <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(3,716)	(747)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest income received	10	129
CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	10	129
INVESTING ACTIVITIES		
Additions of fixed assets	(623)	(4)
Decrease in time deposits with original maturity of more than three months	—	113
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(623)	109
NET CASH OUTFLOWS BEFORE FINANCING ACTIVITIES	(4,329)	(509)
FINANCING ACTIVITIES		
Capital reduction to minority shareholder of a subsidiary	(6,082)	—
CASH OUTFLOW FROM FINANCING ACTIVITIES	(6,082)	—
DECREASE IN CASH AND CASH EQUIVALENTS	(10,411)	(509)
Cash and cash equivalents at beginning of period	26,366	14,810
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,955	14,301
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,955	27,837
Time deposits with original maturity of less than three months when acquired	—	(13,536)
	15,955	14,301

NOTES TO CONDENSED INTERIM ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the “Interim Accounts”) are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“HKSSAP”) No. 25 “Interim Financial Reporting” and the requirements of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. SEGMENTAL INFORMATION

Segment information is presented by two ways of segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Summary details of the business segments are as follows:

- (a) sales of data broadcasting hardware and software;
- (b) provision of data broadcasting and related services; and
- (c) procurement and sales of parts and components of consumer electronics products.

No intersegment sales and transfers were transacted during the period.

a. Business segment

The following table presents revenue and loss for the group’s business segments.

	Sales of data broadcasting hardware and soft		Provision of data broadcasting and related services		Procurement and sales of parts and components		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	238	620	493	785	0	22,655	731	24,060
Segment results	(513)	(436)	(128)	(84)	0	1,520	(641)	1,000
Interest income and unallocated gains							10	129
Unallocated corporate expenses							(3,276)	(2,038)
Operating loss before tax							(3,907)	(909)
Tax							0	0
Loss before minority interests							(3,907)	(909)
Minority interests							192	123
Net loss from ordinary activities attributable to shareholders							(3,715)	(786)

b. Geographical segments

No geographical segment information is presented as during the six months ended 30 June 2003, as more than 90% of the Group's turnover and assets were derived from customers and operations respectively, in the PRC during the period.

3. OPERATING PROFIT/(LOSS) BEFORE TAX

The Group's operating profit/(loss) before tax is arrived at after charging/(crediting):

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	76	68
Amortisation of intangible assets	51	55
Cost of inventories sold	708	22,432
Interest income	(10)	(129)
	<u> </u>	<u> </u>

4. TAXATION

No provision for the income tax of the People's Republic of China (the "PRC") and Hong Kong profits tax has been made as the Group had no assessable profits arising in the PRC and Hong Kong during the period.

Under the Income Tax Law of the PRC, the Group's operation in the PRC is subject to state income tax of 30% and local income tax of 3%. Pursuant to an approved documents issued by Tianjin High-tech Industry Park State Tax Bureau, the Group is exempted from state income tax for the first two years of operation from 2000 when it first became profitable and thereafter, is entitled to a 50% relief from state income tax for the third to fifth years inclusive, in accordance with relevant accounting principles generally accepted in the PRC and the relevant Income Tax Law of the PRC. The Group is also exempted from local income tax for the first five years of operation, starting from 2000 when it first became profitable.

The Group did not have any significant unprovided deferred tax liabilities in respect of the period.

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2003 were based on the loss attributable to shareholders of HK\$2,087,000 (2002: gain of HK\$416,000) for the three months ended 30 June 2002 and the loss attributable to shareholders of HK\$3,715,000 (2002: HK\$786,000) for the six months ended 30 June 2003 and on 318,000,000 (2002: 318,000,000) shares in issue during the three months and six months ended 30 June 2003.

6. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 1 month, extending up to 3 months. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables is as follows:

	(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
Outstanding balances with ages:		
Within 3 months	267	335
4 - 6 months	—	82
Over 1 year	1,266	1,266
	<u>1,533</u>	<u>1,683</u>
Less: Provision for doubtful debts	(1,286)	(1,286)
	<u>247</u>	<u>397</u>

7. TRADE PAYABLES

An aged analysis of the trade payables based on the invoice date is as follows:

	(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
Outstanding balances with ages:		
Within 3 months	<u>27</u>	<u>182</u>

8. RELATED PARTY TRANSACTION

The Group had the following material transactions with related parties during the period:

	2003 HK\$'000	2002 HK\$'000
Rentals paid to Tianjin Tianda Tiancai Co., Ltd. ("Tianda Tiancai")	23	80
Sales of parts and components of consumer electronic products to Tianda Tiancai	<u>—</u>	<u>22,655</u>

- (a) The rentals incurred were at rates approximately open market rates.
- (b) The Company's subsidiary, Tianjin AVD Electron Co., Ltd., was granted the right to use the "Tiancai" trademark in the normal course of business by Tianda Tiancai for no consideration.
- (c) The balances with Tianda Tiancai and other related company as at 30 June 2003 are unsecured, interest-free and have no fixed terms of repayment.

9. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 22 July 2003.

DISCLOSURE OF INTERESTS

(a) Interests of the Directors in the Company

As at 30 June 2003, the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest (%)
Mr. David Ji Long Fen ("Mr. Ji") (notes 1 and 2)	118,250,000	Interest of a controlled corporation	Corporate	37.19
	47,700,000	Beneficial owner	Personal	15.00
Mr. Anle Hsu Ann Keh ("Mr. Hsu") (note 1)	118,250,000	Interest of a controlled corporation	Corporate	37.19
Ms. Bu Dongmei	15,900,000	Beneficial owner	Personal	5.00

Notes:

- (1) Apex Digital Inc., (“Apex Digital”) is beneficially owned as to 65% by Mr. Ji and 35% by United Delta Inc., (“United Delta”), a private corporation incorporated in the USA and which is equally owned by Mr. Ji and Mr. Hsu. Accordingly, each of Mr. Hsu and Mr. Ji is deemed to be interested in the 118,250,000 Shares owned by Apex Digital.
- (2) In addition to Mr. Ji’s deemed interest in the 118,250,000 Shares held by Apex Digital, Mr. Ji is interested in another 47,700,000 Shares held by him directly, and is therefore interested in a total of 165,950,000 Shares.

Save as disclosed in this paragraph, as at 30 June 2003, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

(b) Interests of the Substantial Shareholders in the Company

So far as was known to any Director or chief executive of the Company, as at 30 June 2003, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all

circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (%)
Apex Digital (note 1)	Beneficial owner	118,250,000	37.19
United Delta (note 1)	Interest of a controlled corporation	118,250,000	37.19
Mr. Ji (notes 1 and 2)	Interest of a controlled corporation	118,250,000	37.19
	Beneficial owner	47,700,000	15.00
Mr. Hsu (note 1)	Interest of a controlled corporation	118,250,000	37.19
Ms. Liu Ruying (note 3)	Family interest	165,950,000	52.19
Ms. Susan Chang (note 4)	Family interest	118,250,000	37.19
Mr. Xu Gaohui	Beneficial owner	22,350,000	7.03
Mr. Mark Lau	Beneficial owner	15,900,000	5.00
Ms. Bu Dongmei	Beneficial owner	15,900,000	5.00
Mr. Guo Hui Qin (note 5)	Family interest	15,900,000	5.00
Mr. Wang Guangxin	Beneficial owner	15,900,000	5.00
Ms. Kou Mei Qin (note 6)	Family interest	15,900,000	5.00
Mr. Wang Zi Jian (note 7)	Family interest	15,900,000	5.00
Ms. Kou Yue	Beneficial owner	15,900,000	5.00
Mr. He Zhiping	Beneficial owner	17,010,000	5.34

Notes:

- (1) Apex Digital is beneficially owned as to 65% by Mr. Ji and 35% by United Delta, a private corporation incorporated in the USA and which is equally owned by Mr. Ji and Mr. Hsu. Accordingly, each of Mr. Hsu and Mr. Ji is deemed to be interested in the 118,250,000 Shares owned by Apex Digital.
- (2) In addition to Mr. Ji's deemed interest in the 118,250,000 Shares held by Apex Digital, Mr. Ji is interested in another 47,700,000 Shares held by him directly, and is therefore interested in a total of 165,950,000 Shares.
- (3) Ms. Liu Ruying is the spouse of Mr. Ji and, under section 316 of the SFO, is therefore deemed to be interested in all 165,950,000 Shares in which Mr. Ji is interested.
- (4) Ms. Susan Chang is the spouse of Mr. Hsu and, under section 316 of the SFO, is therefore deemed to be interested in all 118,250,000 Shares in which Mr. Hsu is interested.
- (5) Mr. Guo Hui Qin is the spouse of Ms. Bu Dongmei and, under section 316 of the SFO, is therefore deemed to be interested in all 15,900,000 Shares in which Ms. Bu Dongmei is interested.

- (6) Ms. Kou Mei Qin is the spouse of Mr. Wang Guangxin and, under section 316 of the SFO, is therefore deemed to be interested in all 15,900,000 Shares in which Mr. Wang Guangxin is interested.
- (7) Mr. Wang Zi Jian is a son under the age of 18 years of Mr. Wang Guangxin and, under section 316 of the SFO, is therefore deemed to be interested in all 15,900,000 Shares in which Mr. Wang Guangxin is interested.

Save as disclosed above, as at 30 June 2003, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARE

Under the terms of the Company's share option scheme approved by the shareholders on 11 January 2000, the board of directors may, at their discretion, invite any employee of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not be exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's shares on GEM on 24 January 2000. No options have been granted to the directors during the period under review or outstanding as at 30 June 2003.

Apart from the foregoing, and other than as disclosed under the heading "Directors' interests in shares" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on GEM) had an interest in a business which competes or may compete with the business of the Group during the period under review.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company had complied throughout the period under review the minimum standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
David Ji Long Fen
Chairman

Hong Kong, 22 July 2003