



1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Fixed assets

(i) Land and buildings

Freehold land is stated at cost. Leasehold land and land use rights are stated at cost less subsequent accumulated depreciation or amortisation. Buildings are stated at cost less subsequent accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

(ii) Amortisation of land and land use rights

No amortisation is provided on freehold land. Amortisation of leasehold land and land use rights is calculated to write off their cost over the unexpired period of the relevant leases ranging from 40 to 47 years on a straight-line basis.

(iii) Depreciation of buildings

Buildings are depreciated at rates sufficient to write off their cost over the estimated useful lives to the Group on a straight-line basis. The principal annual rates used for this purpose are 2.5% to 4%.

(iv) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Other fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives to the Group on a straight-line basis. The principal annual rates used for this purpose are:

Leasehold improvements, furniture and fixtures	12.5%–33.33%
Plant and machinery	10%–50%
Motor vehicles	20%–25%

During the year, the estimated useful life of moulds, included in plant and machinery of the Group, for depreciation purpose was changed from 5 years to 2 years, which the management considers to be a better estimate of their economic life to the Group. This is a change in accounting estimate and the accumulated effect of the additional depreciation expense in previous years amounting to HK\$15,043,000 was charged to current year's profit and loss account.



1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) Inventories

Inventories comprise stocks and work in progress are stated at the lower of cost and net realisable value. In general, costs are assigned to items on a first-in first-out basis and are arrived at as follows:

- (i) Raw materials purchased for use in manufacturing process — invoiced price plus freight and insurance charges.
- (ii) Work in progress and finished manufactured goods — cost of direct materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Deferred taxation

Deferred taxation is 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 is expected to be payable or receivable in the foreseeable future.

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of overseas subsidiaries, branches and associated company expressed in foreign currencies are translated into Hong Kong dollars using the closing rate or the temporal methods as appropriate. Exchange differences arising on consolidation under the closing rate method are taken directly to the exchange fluctuation reserve whereas exchange differences arising using the temporal method are dealt with in the profit and loss account.

(k) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.



1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(k) Revenue recognition (Cont'd)

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Subcontracting fee income is recognised on delivery of goods to the customers.

Operating lease rental income is recognised on a straight-line basis over the terms of the lease agreement.

(l) Operating leases

Rental receipts and payments under operating leases, under which substantially all the risks and rewards of ownership remain with the lessor, are credited or charged to the profit and loss account as incurred.

(m) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred as they are not directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

(n) Retirement benefit costs

The Group's contributions to the retirement schemes for staff of the Group are expensed as incurred.

2. REVENUES AND TURNOVER

The Group is principally engaged in the manufacture and export of athletic and athletic-style footwear. Revenues recognised during the year are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Turnover — sale of goods	354,179	499,707
Other revenues		
Interest income	4,093	2,502
Subcontracting fee income	5,422	—
Rental income	321	337
	9,836	2,839
Total revenues	364,015	502,546



4. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	172	900

5. TAXATION CREDIT/(CHARGE)

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Hong Kong profits tax		
— Current year	(100)	(874)
Deferred taxation (note 5(c))	526	(347)
	426	(1,221)
Share of taxation attributable to an associated company	—	178
	426	(1,043)

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. No provision for the People's Republic of China ("PRC") income tax and overseas profits tax has been made in the accounts as the Group does not have any estimated assessable profits in the PRC and other countries in which the Group operates.

(b) Taxation recoverable in the consolidated balance sheet represents the amount of provisional tax paid in excess of the amount of overseas tax provided on the estimated assessable overseas profits for the previous year.

Taxation payable in the consolidated balance sheet represents Hong Kong profits tax payable on the estimated assessable profits for the current and previous years less provisional tax paid.



9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees	943	1,023
Basic salaries and allowances	2,913	2,801
Discretionary bonuses	—	441
	3,856	4,265

- (i) Two Directors of the Company have waived their emoluments amounting to HK\$2,200,000 in aggregate in respect of the year ended 31st December 2000 (1999: HK\$1,790,000).
- (ii) Directors' fees included HK\$43,000 and HK\$250,000 (1999: HK\$130,000 and HK\$246,000) payable to a Non-executive Director and Independent Non-executive Directors respectively.

- (b) The emoluments of Directors fell within the following bands:

	Number of directors	
	2000	1999
Directors' emoluments		
Nil to HK\$1,000,000	6	7
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	0	1

- (c) Of the five highest paid individuals, two (1999: two) are Executive Directors of the Company whose remuneration is included in the Directors' emoluments above. The aggregate amounts of the remaining three (1999: three) highest paid individuals whose emoluments have not been disclosed in Directors' emoluments under note 9(a) and 9(b) above are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Basic salaries and allowances	1,497	1,271
Discretionary bonuses	—	92
Pension contributions	56	32
	1,553	1,395



9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(d) The remuneration of the three (1999: three) highest paid individuals who are not Directors fell within the following bands:

	Number of individuals	
	2000	1999
Emoluments		
Nil to HK\$1,000,000	3	3

10. RETIREMENT BENEFIT COSTS

The Group operates a defined contribution retirement benefits scheme in Hong Kong for all qualified employees. The rate of contribution payable by the Group is 5% of the individual employees' gross salaries. The Group's contribution are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The Mandatory Provident Fund Schemes Authority has approved the above pension scheme as an MPF Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme Ordinance"). With effect from 1 December 2000, a new MPF scheme was set up for existing staff who opt for this scheme and eligible staff recruited on or after that date. Pension scheme benefits attributed to the staff under the existing scheme remain unchanged for the new MPF scheme. Since then, the employees will not forfeit any of the contributions under the MPF Scheme Ordinance.

A subsidiary of the Group operating in the PRC is required to participate in a defined contribution retirement scheme organised by relevant government authority. The Group is required to make contributions to the retirement scheme at a fixed amount for each PRC employee of the subsidiary.

Contributions to the schemes charged to the profit and loss account for the year amounted to HK\$2,634,000 (1999: HK\$597,000) which was net of forfeited contribution of approximately HK\$46,000 (1999: HK\$117,000).



11. FIXED ASSETS

	Group							Company	
	Freehold land and buildings in Taiwan HK\$'000	Leasehold land and buildings in Hong Kong with leases between 10 to 50 years HK\$'000	Land use rights and buildings in the PRC with leases between 10 to 50 years HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Furniture and fixtures	
								HK\$'000	
								HK\$'000	HK\$'000
Cost									
At 1st January 2000	44,417	7,955	50,182	44,281	219,690	6,655	373,180	34	
Additions	—	—	—	2,730	4,966	1,032	8,728	—	
Disposals	—	—	—	(8,684)	(11,173)	(222)	(20,079)	—	
At 31st December 2000	44,417	7,955	50,182	38,327	213,483	7,465	361,829	34	
Accumulated amortisation and depreciation									
At 1st January 2000	2,253	1,180	6,397	32,892	145,861	4,967	193,550	34	
Charge for the year	411	197	1,198	2,958	26,833	711	32,308	—	
Disposals	—	—	—	(4,912)	(4,632)	(221)	(9,765)	—	
Additional charge for change in depreciation life	—	—	—	—	15,043	—	15,043	—	
At 31st December 2000	2,664	1,377	7,595	30,938	183,105	5,457	231,136	34	
Net book value									
At 31st December 2000	41,753	6,578	42,587	7,389	30,378	2,008	130,693	—	
At 31st December 1999	42,164	6,775	43,785	11,389	73,829	1,688	179,630	—	

At 31st December 2000, land and buildings in Hong Kong and Taiwan with a total net book value of HK\$47,380,000 (1999: HK\$47,777,000) were pledged to banks to secure banking facilities granted to certain subsidiaries (note 23(a)).

12. INVESTMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subsidiaries (note 12(a))	—	—	136,600	136,627
Associated company (note 12(c))	—	310	—	—
Long-term investments (note 12(d))	6,858	7,045	—	—
	6,858	7,355	136,600	136,627



12. INVESTMENTS (Cont'd)

(a) Subsidiaries

	Company	
	2000	1999
	HK\$'000	HK\$'000
Investment at cost, unlisted shares	79,083	79,083
Amounts due from subsidiaries (note 12(b))	57,517	57,544
	136,600	136,627

The following is a list of all subsidiaries as at 31st December 2000:

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation)	Particular of issued/ registered Capital	Interest held	
				Direct	Indirect
Nority (BVI) Limited	British Virgin Islands ("BVI")	Investment holding	Ordinary HK\$12,000,000	100%	—
Chung Been Footwear Limited	Hong Kong	Manufacture and export of footwear in the PRC	Ordinary HK\$10,000,000	—	75%
Nority Capital Limited	Hong Kong	Investment holding	Ordinary HK\$2	—	100%
Nority Development Limited	BVI	Property holding in the PRC	Ordinary US\$2	—	100%
Nority Investment Limited	Hong Kong	Investment holding in the PRC	Ordinary HK\$2	—	100%
Nority Limited	Hong Kong	Manufacture and export of footwear in the PRC	Voting class "A" HK\$10 Non-voting class "B" HK\$12,000,000 (note)	—	100%



12. INVESTMENTS (Cont'd)

(a) Subsidiaries (Cont'd)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation)	Particular of issued/ registered Capital	Interest held	
				Direct	Indirect
Nority Property Limited	Hong Kong	Property holding	Ordinary HK\$2	—	100%
Wilken Footwear Limited	Hong Kong	Sourcing agent of fellow subsidiaries in Taiwan	Voting class "A" HK\$10 Non-voting class "B" HK\$5,000,000 (note)	—	100%
Wilken Investment Limited	Taiwan	Securities investment in Taiwan	Ordinary NTD50,000,000	—	100%

Note: The rights and restrictions of the non-voting class "B" shares of Nority Limited and Wilken Footwear Limited are as follows:

- (i) The profits which Nority Limited and Wilken Footwear Limited may determine to distribute in respect of any financial year shall be distributed among the holders of voting class "A" shares according to the amounts paid up on the voting class "A" shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting class "B" shares;
- (ii) On a return of assets on a winding-up or otherwise the assets of Nority Limited and Wilken Footwear Limited to be returned shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of voting class "A" shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting class "B" shares and the other half thereof to and among the holders of voting class "A" shares in proportion in each case to the nominal amounts of the shares held by them respectively; and
- (iii) The holders of the non-voting class "B" shares shall have no right to receive notice of or to attend or vote at any general meeting of Nority Limited and Wilken Footwear Limited.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.



12. INVESTMENTS (Cont'd)

(c) Investments in an associated company

	Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets other than goodwill	—	310

The associated company of the Group as at 31st December 2000 is as follows:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held Indirect
Shoe Rx Company	United States of America	Trading of footwear	Ordinary shares of no par value	26.7%

(d) Long-term investments

	Group	
	2000	1999
	HK\$'000	HK\$'000
Investment securities, at cost		
Equity securities, unlisted	2,422	2,609
Club debentures and shares in golf clubs, at cost	2,752	2,752
Refundable deposits placed with golf clubs	1,684	1,684
	4,436	4,436
	6,858	7,045

**13. INVENTORIES**

	Group	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	31,097	36,363
Work in progress	13,543	13,224
Finished goods	14,094	24,897
	58,734	74,484

At 31st December 2000, the carrying amount of inventories that are carried at net realisable value amounted to HK\$2,476,000 (1999: HK\$6,242,000).

14. TRADE AND OTHER RECEIVABLES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Trade and bills receivables (note 14(a))	69,176	76,939
Prepayments and other receivables	6,866	7,470
	76,042	84,409

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

At 31 December 2000, the ageing analysis of the trade and bills receivables were as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	40,441	46,179
30–60 days	20,983	29,176
60–90 days	4,833	400
Over 90 days	2,919	1,184
	69,176	76,939

Notes to the Accounts



15. OTHER INVESTMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Equity securities, listed outside Hong Kong, at market value	644	654

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (note 16(a))	36,232	30,917	—	—
Accrued charges and other payables	33,531	41,812	341	366
	69,763	72,729	341	366

(a) At 31st December 2000, the ageing analysis of the trade payables were as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	24,351	17,886
30–60 days	4,843	5,984
60–90 days	4,818	5,665
Over 90 days	2,220	1,382
	36,232	30,917

17. SHORT-TERM BANK BORROWINGS — SECURED

	Group	
	2000	1999
	HK\$'000	HK\$'000
Secured short-term bank borrowings comprise the following:		
Bank loans	6,840	12,375
Bank overdrafts	1,477	3,807
	8,317	16,182

**18. SHARE CAPITAL**

	2000	1999
	HK\$'000	HK\$'000
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Authorised		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
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Issued and fully paid		
268,104,508 ordinary shares of HK\$0.10 each	26,810	26,810
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19. SHARE OPTION SCHEME

Under the terms of the Company's share option scheme which became effective on 16th January 1993, 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 year or outstanding at the balance sheet date.



20. RESERVES

(a) Group

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Special reserve (note (i)) HK\$'000	Statutory reserves (note (ii)) HK\$'000	Working capital reserve (note (iii)) HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000
At 1st January 2000	47,986	(483)	(1,000)	2,672	1,275	220,611	271,061
Loss attributable to the shareholders for the year	—	—	—	—	—	(44,712)	(44,712)
Exchange difference arising from translation of the accounts of overseas and PRC subsidiaries	—	(850)	—	—	—	—	(850)
Liquidation of a subsidiary	—	(537)	—	(2,672)	—	2,672	(537)
At 31st December 2000	47,986	(1,870)	(1,000)	—	1,275	178,571	224,962
Dealt with by							
Company and subsidiaries						179,351	
Associated company						(780)	
						178,571	
At 1st January 1999	47,986	(648)	(1,000)	2,672	1,275	220,652	270,937
Profit attributable to the shareholders for the year	—	—	—	—	—	2,640	2,640
Exchange difference arising from translation of the accounts of overseas and PRC subsidiaries	—	165	—	—	—	—	165
Dividend	—	—	—	—	—	(2,681)	(2,681)
At 31st December 1999	47,986	(483)	(1,000)	2,672	1,275	220,611	271,061
Dealt with by							
Company and subsidiaries						221,258	
Associated company						(647)	
						220,611	

Notes:

- (i) The special 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 the Group reorganisation took place in 1993.
- (ii) The statutory reserves represent the general reserve and enterprise expansion funds set up by a PRC subsidiary. According to the PRC Foreign Investment Enterprises Accounting Standards, upon approval, the general reserve fund may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital. The PRC subsidiary was liquidated during the year and the reserve was transferred to the retained profits of the Group.
- (iii) The working capital reserve represents the portion of the retained earnings 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.



20. RESERVES (Cont'd)

(b) Company

	Share premium HK\$'000	Special reserve (note (i)) HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000
At 1st January 2000	47,986	61,083	411	109,480
Loss attributable to the shareholders	—	—	(3)	(3)
At 31st December 2000	47,986	61,083	408	109,477
At 1st January 1999	47,986	61,083	4,003	113,072
Loss attributable to the shareholders	—	—	(911)	(911)
Dividend	—	—	(2,681)	(2,681)
At 31st December 1999	47,986	61,083	411	109,480

Note:

- (i) The special reserve of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued shares of Nority (BVI) Limited and the value of net assets of the underlying subsidiaries acquired pursuant to the Group reorganisation took place in 1993. At Group level, the special reserve is reclassified into its components of reserves of the underlying subsidiaries.



21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

	Group	
	2000	1999
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(44,919)	6,156
Amortisation and depreciation of fixed assets	47,351	42,075
Interest income	(4,093)	(2,502)
Interest expenses	172	900
Loss on disposal of fixed assets	7,221	581
Share of loss of an associated company	310	647
Provision for impairment in value of fixed assets	—	4,733
Unrealised losses on other investments	(957)	(516)
Decrease/(increase) in inventories	15,750	(1,762)
Decrease/(increase) in other investments, trade and other receivables and amount due from a minority shareholder	7,354	(40,243)
Increase/(decrease) in trade and other payables	1,467	(8,782)
Effect on foreign exchange rate changes	(209)	300
Net cash inflow from operating activities	29,447	1,587

(b) Analysis of changes in financing during the year

	Group	
	Minority interests	
	2000	1999
	HK\$'000	HK\$'000
At 1st January	14,850	12,370
Non-cash movements		
Share of profit	219	2,473
Liquidation of a subsidiary	(8,995)	—
Effect of foreign exchange rate changes	15	7
Dividend paid	(2,500)	—
At 31st December	3,689	14,850

**21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)****(c) Liquidation of a subsidiary**

	Group	
	2000	1999
	HK\$'000	HK\$'000
<hr/>		
Net assets disposed		
Amount due from a minority shareholder	6,506	—
Trade and other receivables	2	—
Bank balances and cash	4,227	—
Trade and other payables	(4,433)	—
Minority interests	(8,895)	—
Exchange reserve	(537)	—
	<hr/>	<hr/>
	(3,130)	—
Gain on liquidation of a subsidiary	3,130	—
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	—	—
<hr/>		
Analysis of net outflow of cash and cash equivalents in respect of liquidation of a subsidiary:		
Bank balances and cash disposed	(4,227)	—
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22. COMMITMENTS UNDER OPERATING LEASES

At 31st December 2000, the Group had commitments in respect of office and factory premises to make payments in the next twelve months under operating leases which expire as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
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Within one year	286	12
In the second to fifth year inclusive	45	180
After the fifth year	1,149	7,887
	<hr/>	<hr/>
	1,480	8,079
	<hr/>	<hr/>

The Company did not have any operating lease commitments as at 31st December 2000 and 1999.



23. PLEDGE OF ASSETS AND GUARANTEES

At 31st December 2000, 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\$47,380,000 (1999: HK\$47,777,000) at the balance sheet date;
- (b) legal charges over certain deposits of the Group of HK\$11,330,000 (1999: HK\$Nil);
- (c) corporate guarantee from the Company; and
- (d) joint and several guarantees from three Directors of the Company.

24. CONTINGENT LIABILITIES

- (a)

	Group	
	2000	1999
	HK\$'000	HK\$'000
Bills of exchange discounted with recourse	—	9,688
Shipping guarantee	—	124
	—	9,812

- (b) At 31st December 2000, the Company provided corporate guarantees to a bank of HK\$51 million (1999: HK\$40 million) in respect of banking facilities granted to certain subsidiaries. The amount utilised at 31st December 2000 amounted to approximately HK\$14 million (1999: HK\$10 million).

25. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 11th April 2001.