

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st March, 2001

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“SSAP 25”), except that comparative figures are not presented for the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 30th September, 2000, except that the investment properties are not stated at their open market value based on independent professional valuations as at that date.

2. SEGMENT INFORMATION

	Turnover	
	For the six months	
	ended 31st March,	
	2001	2000
	<i>US\$'000</i>	<i>US\$'000</i>
Geographical segment		
United States of America	480,182	432,283
Europe	248,337	235,548
Asia	113,012	104,430
Canada	21,001	23,665
South America	15,661	9,441
Other areas	17,894	18,036
	<u>896,087</u>	<u>823,403</u>

The Group has only one principal activity, namely sales of footwear and shoe-related products. Accordingly, no segmental analysis by activity is presented.

The contribution to profit from operations by individual geographical market is not presented as the contribution to profit from operations from each geographical market as a proportion of turnover from that market is in line with the overall ratio of profit to turnover achieved by the Group.

3. OTHER OPERATING EXPENSES

For the six months ended 31st March,	
2001	2000
<i>US\$'000</i>	<i>US\$'000</i>

Other operating expenses comprise:

Research and development expenditure	27,320	26,552
Provision for bad and doubtful debts	<u>7,400</u>	<u>–</u>

4. DEPRECIATION

During the period, charged against profit from operations was depreciation and amortisation of approximately US\$35,825,000 (2000: approximately US\$30,017,000) in respect of the Group's property, plant and equipment.

5. INCOME TAX EXPENSE

For the six months ended 31st March,	
2001	2000
<i>US\$'000</i>	<i>US\$'000</i>

The charge comprises:

Hong Kong Profits Tax	44	45
Overseas taxation	803	2,440
Share of taxation of an associate	<u>101</u>	<u>90</u>
	<u>948</u>	<u>2,575</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

A substantial portion of the Group's profits neither arose in, nor was derived from, Hong Kong and therefore was not subject to Hong Kong Profits Tax.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The Group had no significant unprovided deferred taxation for the period.

6. DIVIDEND

	For the six months ended 31st March,	
	2001	2000
	<i>US\$'000</i>	<i>US\$'000</i>
Interim dividend of 40 Hong Kong cents per share (2000: 40 Hong Kong cents per share)	36,263	36,251
Additional final dividend for prior year due to exercise of share options during the period	–	544
Overprovision for prior year dividend due to share repurchased and cancelled during the period	(99)	–
	<u>36,164</u>	<u>36,795</u>

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	For the six months ended 31st March,	
	2001	2000
Earnings:		
Net profit for the period and earnings for the purpose of basic and diluted earnings per share	<u>US\$112,227,000</u>	<u>US\$109,477,000</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	704,870,294	706,220,882
Effect of dilutive potential ordinary share in respect of share options	<u>26,422,749</u>	<u>28,131,866</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>731,293,043</u>	<u>734,352,748</u>

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately US\$82,285,000 (year ended 30.9.2000: approximately US\$202,892,000).

9. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables of US\$184,406,000 (30.9.2000: US\$161,458,000) and their aging analysis is as follows:

	31st March, 2001 <i>US\$'000</i>	30th September, 2000 <i>US\$'000</i>
0 to 30 days	127,581	113,556
31 to 90 days	47,003	35,223
Over 90 days	9,822	12,679
	<u>184,406</u>	<u>161,458</u>

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US\$130,088,000 (30.9.2000: US\$101,861,000) and their aging analysis is as follows:

	31st March, 2001 <i>US\$'000</i>	30th September, 2000 <i>US\$'000</i>
0 – 30 days	94,673	76,473
31 – 90 days	26,506	18,085
Over 90 days	8,909	7,303
	<u>130,088</u>	<u>101,861</u>

11. SHARE CAPITAL

	No. of shares	Amounts expressed in thousands
<i>Authorised:</i>		
Ordinary shares of HK\$0.50 each		
– balance at 1st October, 2000 and 31st March, 2001	<u>1,000,000,000</u>	<u>HK\$500,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.50 each		
– balance at 1st October, 2000	707,333,953	HK\$353,667
– exercise of share options (<i>note a</i>)	7,700,000	HK\$ 3,850
– shares repurchased and cancelled (<i>note b</i>)	<u>(6,595,000)</u>	<u>HK\$ (3,298)</u>
– balance at 31st March, 2001	<u>708,438,953</u>	<u>HK\$354,219</u>
Shown in the financial statements as at 31st March, 2001		<u>US\$45,768</u>
30th September, 2000		<u>US\$45,697</u>

Notes:

- (a) During the period, 7,700,000 share options were exercised at a subscription price of HK\$6.35 per share, resulting in the issue of 7,700,000 ordinary shares of HK\$0.50 each in the Company.
- (b) During the period, the Company repurchased and cancelled 6,595,000 shares of HK\$0.50 each of the Company at prices ranging from HK\$14.05 to HK\$15.05.

12. SHARE OPTIONS

Under the Company's share option scheme, the directors may, at their discretion, grant options at nil consideration to employees of the Company or its subsidiaries, including directors of any of such companies, to subscribe for shares in the Company. The price per share payable on the exercise of an option will be the higher of the nominal value of the shares or 80% of the average of the closing price per share as quoted on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of grant of the option or such price as from time to time adjusted pursuant to the scheme.

As at 31st March, 2001, the outstanding share options granted under the Company's share option scheme are as follows:

Date of grant	Exercise price per share HK\$	Number of share options outstanding
28th April, 1993	6.35	1,466,666
12th December, 1996	10.22	32,000,000

The outstanding share options can be exercised at any time within ten years from the date of grant.

13. RESERVES

Movement of reserves during the period are as follows:

	Share premium US\$'000	Investment properties revaluation reserve US\$'000	Goodwill reserve US\$'000	Special reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
At 1st October, 2000	363,740	14,750	(150,692)	(16,688)	692,097	903,207
Premium arising on issue of shares	5,775	-	-	-	-	5,775
Share repurchased and cancelled	(11,958)	-	-	-	-	(11,958)
Capital reserve arising on increasing the Group's interest in a subsidiary	-	-	1,327	-	-	1,327
Profit for the period, retained	-	-	-	-	76,063	76,063
At 31st March, 2001	<u>357,557</u>	<u>14,750</u>	<u>(149,365)</u>	<u>(16,688)</u>	<u>768,160</u>	<u>974,414</u>

14. CONTINGENT LIABILITIES

	31st March, 2001 <i>US\$'000</i>	30th September, 2000 <i>US\$'000</i>
Export bills discounted with recourse	<u>905</u>	<u>308</u>
Guarantees given to banks in respect of credit facilities extended to jointly controlled entities	<u>266</u>	<u>581</u>