

NOTES TO CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts ("Interim Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("HKSSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"), except that comparative figures for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July 2000, have not been prepared as the Company has taken advantage of the transitional provision set out in the Listing Rules.

These Interim Accounts should be read in conjunction with the annual report of the Group for the year ended 31st December 2000.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has adopted HKSSAP No. 14 (Revised), "Leases", in the preparation of these Interim Accounts. HKSSAP No. 14 (Revised) prescribes the accounting policies and disclosure requirements in relation to finance and operating leases. The adoption of HKSSAP No. 14 (Revised) by the Group does not have any impact on these Interim Accounts except that disclosures set out in note 11 have been restated.

2 Turnover

The Group is principally engaged in one business segment which is the manufacture and export of athletic and athletic-style footwear.

An analysis of the Group's turnover for the period by geographical market is as follows:

Turnover

	Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000
United States of America and Canada	122,583	53,973
Europe	88,895	116,644
Southeast Asia	16,143	13,699
Others	17,679	12,267
	<u>245,300</u>	<u>196,583</u>

No analysis of contribution by geographical market has been presented as the ratios of contribution to profit achieved for individual market is not substantially out of line with the normal ratio of profit to turnover.

Sales are based on the country in which the customer is located.

There are no sales or other transactions between the geographical segments.

3 **Operating profit/(loss) before finance costs**

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Operating profit/(loss) before finance costs is stated after crediting and charging the following:		
Crediting		
Gain on disposal of fixed assets	<u>67</u>	<u>—</u>
Charging		
Amortisation and depreciation of fixed assets	10,087	17,893
Loss on disposal of fixed assets	—	25
Net exchange loss	2,486	3,541
Operating leases in respect of land and buildings	696	3,523
Retirement benefit costs	1,577	883
Staff costs, including directors' emoluments	<u>42,717</u>	<u>36,362</u>

4 **Taxation (charge) / credit**

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax		
— current period (<i>note</i>)	(600)	—
— overprovision in previous years	<u>—</u>	<u>29</u>
	<u>(600)</u>	<u>29</u>

Note : Hong Kong profits tax has been provided for at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. No provision for the People's Republic of China ("PRC") income tax and overseas profits tax has been made as the Group does not have any estimated assessable profit in the PRC and other countries in which the Group operates.

5 **Dividend**

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Interim, proposed on 11th September 2001, of 3.0 HK cents (2000: Nil) per ordinary share	<u>8,043</u>	<u>—</u>

6 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's unaudited profit attributable to the shareholders of HK\$24,235,000 (2000: loss of HK\$1,709,000) and on 268,104,508 (2000: 268,104,508) ordinary shares in issue during the period.

Diluted earnings per share for the period is not disclosed as there were no dilutive potential ordinary shares.

7 Trade and other receivables

Included in trade and other receivables are trade and bills receivables and their ageing analysis is as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Current	57,204	40,441
30 - 60 days	33,056	20,983
60 - 90 days	5,814	4,833
Over 90 days	5,264	2,919
	101,338	69,176

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.

8 Trade and other payables

Included in trade and other payables are trade and bills payables and their ageing analysis is as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Current	20,450	24,351
30 - 60 days	3,131	4,843
60 - 90 days	4,949	4,818
Over 90 days	1,503	2,220
	30,033	36,232

9 Share capital

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
268,104,508 ordinary shares of HK\$0.10 each	26,810	26,810

10 Reserves

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Special reserve HK\$'000	Statutory reserves HK\$'000	Working capital reserve 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 period	—	—	—	—	—	(1,709)	(1,709)
Exchange difference arising from translation of the accounts of overseas and PRC subsidiaries	—	(145)	—	—	—	—	(145)
At 30th June 2000	<u>47,986</u>	<u>(628)</u>	<u>(1,000)</u>	<u>2,672</u>	<u>1,275</u>	<u>218,902</u>	<u>269,207</u>

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Special reserve HK\$'000	Statutory reserves HK\$'000	Working capital reserve HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000
At 1st January 2001	47,986	(1,870)	(1,000)	—	1,275	178,571	224,962
Profit attributable to the shareholders for the period	—	—	—	—	—	24,235	24,235
Interim dividend proposed	—	—	—	—	—	(8,043)	(8,043)
Exchange difference arising from translation of the accounts of an overseas subsidiary	—	(316)	—	—	—	—	(316)
At 30th June 2001	<u>47,986</u>	<u>(2,186)</u>	<u>(1,000)</u>	<u>—</u>	<u>1,275</u>	<u>194,763</u>	<u>240,838</u>

11 Commitments

At 30th June 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of office and factory premises as follows :

	Unaudited 30th June 2001 HK\$'000	Restated 31st December 2000 HK\$'000
Within one year	1,288	1,435
In the second to fifth year inclusive	2,625	3,195
	<u>3,913</u>	<u>4,630</u>

12 Contingent liabilities

At 30th June 2001, the Company provided corporate guarantees to a bank of HK\$40.5 million (31st December 2000: HK\$51 million) in respect of banking facilities granted to certain subsidiaries. The amount utilised at 30th June 2001 amounted to approximately HK\$1.5 million (31st December 2000: HK\$14 million).