

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30th June, 2001

1. ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice No. 25 (“SSAP 25”) “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except that comparative figures are not presented for the first unaudited consolidated cash flow statements.

The interim consolidated financial statements for the six months ended 30th June, 2001 are unaudited but have been reviewed by the Audit Committee of the Company.

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 31st December, 2000.

2. SEGMENTAL INFORMATION

The Group’s turnover and contribution to profit from operations analysed by principal activity and geographic region are as follows:

By principal activity:

	Turnover		Contribution to profit from operations	
	For the six months ended 30th June, 2001		For the six months ended 30th June, 2000	
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Continuing operations:				
Sale of footwear products	592,560	502,588	23,506	23,883
Sale of shoe components and materials	3,545	3,293	75	(150)
	<u>596,105</u>	<u>505,881</u>	<u>23,581</u>	<u>23,733</u>
Interest income			532	897
Profit from operations			<u>24,113</u>	<u>24,630</u>

By geographical region:

	Turnover		Contribution to profit from operations	
	For the six months ended 30th June,		For the six months ended 30th June,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America (the "U.S.")	393,667	330,219	12,754	15,913
The People's Republic of China other than Hong Kong (the "PRC")	179,337	157,740	10,080	6,955
European Union	8,107	8,103	263	390
Japan	14,994	9,819	484	475
	<u>596,105</u>	<u>505,881</u>	<u>23,581</u>	<u>23,733</u>
Interest income			<u>532</u>	<u>897</u>
Profit from operations			<u>24,113</u>	<u>24,630</u>

3. TAXATION

	For the six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Taxation in other jurisdictions	1,933	2,604
Share of taxation attributable to an associate	<u>11</u>	<u>35</u>
	<u>1,944</u>	<u>2,639</u>

No provision for Hong Kong Profits Tax was made in the financial statements for both periods, as in the opinion of the directors, the Group's profits for that year neither arose in, nor was derived from, Hong Kong.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Certain subsidiaries of the Group operating in the PRC are eligible for certain tax exemptions and concessions. Accordingly, the PRC income tax has been provided taking into account of these tax exemptions and concessions.

Neither the Group nor the Company had any other significant unprovided deferred taxation for the period.

4. 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 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Net profit for the period	<u>12,535</u>	<u>14,825</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,498,392,384	1,498,392,384
Effect of dilutive potential ordinary shares in respect of share options	<u>–</u>	<u>27,960,544</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,498,392,384</u>	<u>1,526,352,928</u>

The computation of diluted earnings per share for the six months ended 30th June, 2000 did not assume the exercise of the Company's then outstanding share warrants as the exercise price of the Company's then share warrants was higher than the average market value of the Company's shares.

5. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 30 days to its trade customers other than major customers with whom specific terms to be agreed by both parties. The following is an aging analysis of trade receivables included in trade and other receivables:

	30th June, 2001	31st December, 2000
	HK\$'000	HK\$'000
Trade receivables:		
Not yet due	176,752	142,324
Overdue 0 – 30 days	11,239	20,241
Overdue 31 – 60 days	3,163	1,719
Overdue 61 – 90 days	2,306	14,993
Overdue 91 – 120 days	7,691	3,835
Overdue 121 – 180 days	12,761	3,459
Overdue 181 – 360 days	23,786	–
Overdue more than 360 days	<u>203</u>	<u>222</u>
	<u>237,901</u>	<u>186,793</u>

6. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables included in trade and other payables:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Trade payables:		
Not yet due	40,959	67,226
Overdue 0 – 30 days	40,542	27,540
Overdue 31 – 60 days	37,484	20,511
Overdue 61 – 90 days	15,239	39
Overdue 91 – 120 days	570	898
Overdue 121 – 180 days	15,027	5,446
Overdue 181 – 360 days	2,616	115
Overdue more than 360 days	647	294
	<u>153,084</u>	<u>122,069</u>

7. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised</i>		
At 31st December, 2000 and 30th June, 2001	<u>10,000,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid</i>		
At 31st December, 2000 and 30th June, 2001	<u>1,498,392,384</u>	<u>149,839</u>

There were no movements in the Company's share capital in the period ended 30th June, 2001.

8. RESERVES

	Share premium	Capital redemption reserve	Property revaluation reserve	Translation reserve	Goodwill	Merger reserve	General reserve fund	Enterprise expansion fund	Accumulated profits	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
THE GROUP										
At 31st December, 2000	2,315	2,882	1,184	(20,945)	(36,782)	322	3,383	3,935	306,281	262,575
Exchange differences arising from translations of financial statements of overseas operations	-	-	-	(913)	-	-	-	-	-	(913)
Transfer	-	-	-	-	-	-	399	399	(798)	-
Share of an associate's reserve moments	-	-	-	(31)	-	-	3	3	(6)	(31)
Net profit for the year	-	-	-	-	-	-	-	-	12,535	12,535
	<u>2,315</u>	<u>2,882</u>	<u>1,184</u>	<u>(21,889)</u>	<u>(36,782)</u>	<u>322</u>	<u>3,785</u>	<u>4,337</u>	<u>318,012</u>	<u>274,166</u>
At 30th June, 2001	2,315	2,882	1,184	(21,889)	(36,782)	322	3,785	4,337	318,012	274,166

9. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") of the Company which became effective on 9th October, 1995, the Board may grant options to any director or employee of the Company or any of its subsidiaries to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

At 1st January, 2000 and 31st December, 2000, a total of 80,000,000 share options granted in September 1999 remained outstanding. These share options entitle the holders thereof to subscribe for shares of HK\$0.10 each in the Company at a subscription price of HK\$0.20 per share (subject to adjustment) during the exercisable period from 29th March, 2000 to 28th March, 2002. No consideration was received by the Company for the options granted.

10. ACQUISITION OF SUBSIDIARY

On 7th April, 2001, the Group acquired an additional 28% of the equity interest in Dasheng Footwear Co., Ltd. Putian City for a cash consideration of US\$660,000 (equivalent to approximately HK\$5,148,000, at the exchange rate of US\$1: HK\$7.8). This transaction has been accounted for using the acquisition method of accounting.

The following summarised the effect of the acquisition:

	<i>HK\$ '000</i>
Net assets acquired	7,148
Negative Goodwill arising on acquisition	<u>(2,000)</u>
Cash consideration	<u>5,148</u>