1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The accounts are prepared under the historical cost convention except that investment properties and other investments are carried at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(b) Group accounting

(i) *Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

(b) Group accounting (Continued)

(ii) *Associated companies*

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iii) *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, associated company expressed in foreign currencies are translated into Hong Kong dollars using the closing rate method. For branches which operate as an extension of the Group's business and the cash flows of the branches have direct impact upon those of the Group, the accounts of the branches expressed in foreign currencies are translated into Hong Kong dollars using the temporal method. 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.

Upon disposal of an overseas subsidiary, the related cumulative exchange difference included in the exchange fluctuation reserve is included in the profit and loss account as part of the gain and loss on disposal.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued by independent valuers annually. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) *Land and buildings*

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

(iii) *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 less accumulated impairment losses over the unexpired period of the relevant leases on a straight-line basis.

(iv) *Depreciation of buildings*

Buildings other than investment properties are depreciated at rates sufficient to write off their cost less accumulated impairment losses 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%.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets (Continued)

(v) *Other fixed assets*

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. 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 less accumulated impairment losses 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%

(vi) *Cost of restoring and improving fixed assets*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(vii) *Impairment of fixed assets*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

(viii) *Gain or loss on disposal of fixed assets*

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) Investment securities

(i) *Long-term investments*

Investments which are held for non-trading purpose are stated at cost less any provision for impairment losses.

The Group's interest in club debentures and ordinary shares in golf clubs held for long-term purposes are stated at cost less any provision for impairment losses.

The carrying amounts of individual long-term investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities or investment will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Investment securities (Continued)

(ii) *Other investments*

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains and losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Gains or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(e) Inventories

Inventories comprising 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.

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdrafts and short-term bank loans repayable within three months.

(h) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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) 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.

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.

(k) Retirement benefit costs

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

(l) 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.

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(n) Segment reporting

As the entire consolidated turnover and trading results of the Group are derived from the manufacture and export of athletic and athletic-style footwear, an analysis of the consolidated trading results of the Group by business segment is not presented.

In accordance with the Group's internal financial reporting the Group has determined that geographical segments be presented as the primary reporting format.

In respect of geographical segment reporting, sales are based on the countries in which the customers are located. Total assets, liabilities, capital expenditures, amortisation and depreciation are based on where the assets and liabilities are located.

2. REVENUES, TURNOVER AND SEGMENT INFORMATION

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	
	2001	2000
	HK$'000	HK$'000
Turnover — sale of goods	**421,178**	354,179
Other revenues		
Interest income	**1,536**	4,093
Subcontracting fee income	**—**	5,422
Rental income	**316**	321
	1,852	9,836
Total revenues	**423,030**	364,015

The Group operates in Taiwan, the Peoples' Republic of China ("PRC") and Hong Kong. There are no sales between geographical segments.

	Turnover	**Segment results**	Turnover	Segment results
	2001	**2001**	2000	2000
	HK$'000	**HK$'000**	HK$'000	HK$'000
North America	**213,789**	**33,189**	114,496	(1,493)
Europe	**154,584**	**25,610**	182,027	11,857
Others	**52,805**	**10,967**	57,656	(303)
	421,178	**69,766**	354,179	10,061
Unallocated costs		**(49,876)**		(54,670)
Operating profit/(loss)		**19,890**		(44,609)

	Total assets	**Total liabilities**	Total assets	Total liabilities
	2001	**2001**	2000	2000
	HK$'000	**HK$'000**	HK$'000	HK$'000
Taiwan	**71,966**	**12,734**	83,457	25,048
PRC and Hong Kong	**281,376**	**74,082**	270,853	73,801
	353,342	**86,816**	354,310	98,849

2. REVENUES, TURNOVER AND SEGMENT INFORMATION (Continued)

	Capital expenditure 2001 HK$'000	Amortisation and depreciation 2001 HK$'000	Capital expenditure 2000 HK$'000	Amortisation and depreciation 2000 HK$'000
Taiwan	**4,998**	**1,676**	684	1,667
PRC and Hong Kong	**16,730**	**18,189**	8,044	45,684
	21,728	**19,865**	8,728	47,351

3. OPERATING PROFIT/(LOSS) BEFORE FINANCE COSTS

	Group 2001 HK$'000	Group 2000 HK$'000
Operating profit/(loss) before finance costs is stated after crediting and charging the following:		
Crediting		
Net exchange gain	**420**	—
Gain on disposal of fixed assets	**101**	—
Gain on liquidation of a subsidiary	**—**	3,130
Unrealised gain on other investments	**30**	—
Charging		
Additional depreciation of plant and machinery arising from change in depreciation life	**—**	15,043
Auditors' remuneration	**623**	668
Amortisation and depreciation of fixed assets	**19,865**	32,308
Loss on disposal of fixed assets	**—**	7,221
Net exchange loss	**—**	7,325
Operating leases in respect of land and buildings	**1,391**	4,276
Provision for doubtful debts	**318**	24
Provision for slow moving inventories	**706**	3,000
Staff costs, including directors' emoluments and retirement benefit costs	**84,679**	76,252
Unrealised losses on other investments	**—**	957

4. FINANCE COSTS

	Group 2001 HK$'000	Group 2000 HK$'000
Interest on bank loans and overdrafts	**203**	172

5. TAXATION (CHARGE)/CREDIT

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

	Group	
	2001	2000
	HK$'000	HK$'000
Hong Kong profits tax		
— Current year	**(934)**	(100)
Deferred taxation (note 5(b))	**101**	526
	(833)	426

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. No provision for the PRC income tax and overseas profits tax has been made in the accounts as the Group does not have any assessable profits in the PRC and other places in which the Group operates.

(b) Deferred taxation

The movements in the deferred taxation are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
At 1st January	**276**	796
Exchange adjustment	**—**	6
Transfer to profit and loss account (note 5(a))	**(101)**	(526)
At 31st December	**175**	276
Deferred taxation for the year has not been provided in respect of the following:		
Tax losses and other timing differences	**(3,251)**	(1,877)

No deferred tax asset is provided in the accounts as the tax losses and other timing differences are not expected to crystallise in the foreseeable future.

6. PROFIT/(LOSS) ATTRIBUTABLE TO THE SHAREHOLDERS

The profit/(loss) attributable to the shareholders is dealt with in the accounts of the Company to the extent of a profit of HK$14,087,000 (2000: loss of HK$3,000).

7. DIVIDENDS

	Group	
	2001	2000
	HK$'000	HK$'000
Interim, paid, of HK$0.03 (2000: Nil) per ordinary share	**8,043**	—
Final, proposed, of HK$0.02 (2000: Nil) per ordinary share	**5,362**	—
	13,405	—

At a board meeting held on 12th April 2002 the Directors recommended a final dividend of HK$0.02 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2002.

8. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the Group's profit attributable to the shareholders of HK$16,619,000 (2000: loss of HK$44,712,000) and on 268,104,508 (2000: 268,104,508) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the year is not disclosed as there were no dilutive potential ordinary shares.

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	
	2001	2000
	HK$'000	HK$'000
Fees		
— Executive Directors	**650**	650
— Non-executive Directors	**—**	43
— Independent Non-executive Directors	**180**	250
	830	943
Basic salaries and allowances	**3,044**	2,898
Pension contributions	**81**	15
Discretionary bonuses	**1,675**	—
	5,630	3,856

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. No directors have waived their emoluments in respect of the year ended 31st December 2001.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

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

	Number of directors	
	2001	2000
Directors' emoluments		
Nil to HK$1,000,000	**6**	6
HK$1,000,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**2**	—

(c) Of the five highest paid individuals, two (2000: two) are Executive Directors of the Company whose remuneration is included in the Directors' emoluments above. The aggregate amounts of the remaining three (2000: three) highest paid individuals whose emoluments have not been disclosed in Directors' emoluments under notes 9(a) and 9(b) above are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Basic salaries and allowances	**1,646**	1,497
Discretionary bonuses	**340**	—
Pension contributions	**24**	56
	2,010	1,553

(d) The remuneration of the remaining three (2000: three) highest paid individuals who are not Directors fell within the following bands:

	Number of individuals	
	2001	2000
Emoluments		
Nil to HK$1,000,000	**3**	3

10. RETIREMENT BENEFIT COSTS

The Group previously operated a defined contribution retirement benefits scheme for its qualified employees in Hong Kong. The assets of the scheme were held separately from those of the Group in an independently administered fund. Under the scheme, the Group and employees were required to contribute 5% of the individual employees' gross salaries. The Group's contributions were reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

10. RETIREMENT BENEFIT COSTS (Continued)

Following the enactment of the Hong Kong Mandatory Provident Fund ("MPF") Schemes Ordinance which became effective on 1st December 2000, a new MPF scheme was established. The defined contribution retirement benefits scheme operated by the Group was officially terminated on 29th January 2001 and vesting benefits of the employees were transferred to the new MPF scheme.

The MPF Scheme Ordinance requires both the employers and the employees to contribute 5% of their monthly gross earnings with a ceiling of HK$1,000 per month. The assets of the scheme are held separately from those of the Group in an independently administered fund.

A subsidiary of the Group operating in PRC is required to participate in a defined contribution retirement scheme organised by relevant government authorities. 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$3,494,000 (2000: HK$2,634,000) which was net of forfeited contribution of approximately HK$Nil (2000: HK$46,000).

11. FIXED ASSETS

	Group								Company
	Freehold investment properties in Taiwan	**Freehold land and buildings in Taiwan**	**Leasehold land and buildings in Hong Kong with leases between 10 to 50 years**	**Land use rights and buildings in PRC with leases between 10 to 50 years**	**Leasehold improvements, furniture and fixtures**	**Plant and machinery**	**Motor vehicles**	**Total**	**Furniture and fixtures**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation									
At 1st January 2001	—	44,417	7,955	50,182	38,327	213,483	7,465	361,829	34
Additions	3,121	—	—	—	1,115	16,427	1,065	21,728	—
Revaluation	315	—	—	—	—	—	—	315	—
Disposals	—	—	—	—	(48)	(25)	(990)	(1,063)	(34)
At 31st December 2001	3,436	44,417	7,955	50,182	39,394	229,885	7,540	382,809	—
Accumulated amortisation and depreciation									
At 1st January, 2001	—	2,664	1,377	7,595	30,938	183,105	5,457	231,136	34
Charge for the year	—	391	197	1,198	2,620	14,793	666	19,865	—
Disposals	—	—	—	—	(35)	(3)	(887)	(925)	(34)
At 31st December 2001	—	3,055	1,574	8,793	33,523	197,895	5,236	250,076	—
Net book value									
At 31st December 2001	3,436	41,362	6,381	41,389	5,871	31,990	2,304	132,733	—
At 31st December 2000	—	41,753	6,578	42,587	7,389	30,378	2,008	130,693	—

The analysis of the cost or valuation at 31st December, 2001 of the above assets is as follows:

At cost	—	44,417	7,955	50,182	39,394	229,885	7,540	379,373	—
At 2001 valuation	3,436	—	—	—	—	—	—	3,436	—
	3,436	44,417	7,955	50,182	39,394	229,885	7,540	382,809	—

11. FIXED ASSETS (Continued)

Investment properties were revalued at 31st December 2001 on the basis of their open market value by China Union Real Estate Appraisal Company Limited, an independent firm of professional valuers.

The revaluation of investment properties does not constitute timing differences for tax purposes.

At 31st December 2001, land and buildings in Hong Kong and Taiwan with a total net book value of HK$46,991,000 (2000: HK$47,380,000) were pledged to banks to secure banking facilities granted to certain subsidiaries of the Company (note 23(a)).

12. INVESTMENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries (note 12(a))	**—**	—	**142,679**	136,600
Associated company (note 12(c))	**—**	—	**—**	—
Long-term investments (note 12(d))	**6,807**	6,858	**—**	—
	6,807	6,858	**142,679**	136,600

(a) Subsidiaries

	Company	
	2001	2000
	HK$'000	HK$'000
Investment at cost, unlisted shares	**79,083**	79,083
Amounts due from subsidiaries (note 12(b))	**63,596**	57,517
	142,679	136,600

12. INVESTMENTS (Continued)

(a) Subsidiaries (Continued)

The following is a list of all subsidiaries as at 31st December 2001:

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation)	Particulars of issued/registered capital	Interest held Direct	Interest held 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%
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 NTD60,000,000	—	100%
Kunshan Wilken Footwear Company Limited	PRC	Manufacture and sell of footwear in the PRC	US$2,100,000	—	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.

12. INVESTMENTS (Continued)

(b) Amounts due from subsidiaries

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

(c) Investments in an associated company

	Group	
	2001	2000
	HK$'000	HK$'000
Share of net assets	**—**	—

The associated company, held by a subsidiary of the Company, as at 31st December 2001 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	
	2001	2000
	HK$'000	HK$'000
Unlisted equity securities, at cost	**2,371**	2,422
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
	6,807	6,858

13. INVENTORIES

	Group 2001 HK$'000	Group 2000 HK$'000
Raw materials	**25,458**	31,097
Work in progress	**12,076**	13,543
Finished goods	**24,206**	14,094
	61,740	58,734

At 31st December 2001, the carrying amount of inventories that are carried at net realisable value amounted to HK$3,745,000 (2000: HK$2,476,000).

14. TRADE RECEIVABLES

At 31 December 2001, the ageing analysis of the trade receivables was as follows:

	Group 2001 HK$'000	Group 2000 HK$'000
0–30 days	**30,735**	40,441
31–60 days	**25,755**	20,983
61–90 days	**18,413**	4,833
Over 91 days	**17,185**	2,919
	92,088	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.

15. OTHER INVESTMENTS

	Group 2001 HK$'000	Group 2000 HK$'000
Equity securities, listed outside Hong Kong, at open market value	**660**	644

16. TRADE PAYABLES

At 31 December 2001, the ageing analysis of the trade payables was as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
0–30 days	**22,021**	24,351
31–60 days	**2,200**	4,843
61–90 days	**2,445**	4,818
Over 91 days	**3,778**	2,220
	30,444	36,232

17. SHORT-TERM BANK BORROWINGS — SECURED

	Group	
	2001	2000
	HK$'000	HK$'000
Secured short-term bank borrowings comprise the following:		
Bank loans	**—**	6,840
Bank overdrafts	**2,932**	1,477
	2,932	8,317

18. SHARE CAPITAL

	2001	2000
	HK$'000	HK$'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

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	Exchange fluctuation reserve	Capital reserve (note (i))	Statutory reserves	Working capital reserve (note (ii))	Investment properties revaluation reserve	Retained profits	Total reserves
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2001	47,986	(1,870)	(1,000)	—	1,275	—	178,571	224,962
Profit attributable to the shareholders for the year	—	—	—	—	—	—	16,619	16,619
Surplus on revaluation of investment properties	—	—	—	—	—	315	—	315
Exchange difference arising from translation of the accounts of an overseas subsidiary	—	(264)	—	—	—	—	—	(264)
Dividend	—	—	—	—	—	—	(8,043)	(8,043)
At 31st December 2001	47,986	(2,134)	(1,000)	—	1,275	315	187,147	233,589
Representing:								
At 31st December 2001	47,986	(2,134)	(1,000)	—	1,275	315	181,785	228,227
Final dividend proposed (note 7)	—	—	—	—	—	—	5,362	5,362
	47,986	(2,134)	(1,000)	—	1,275	315	187,147	233,589
Dealt with by:								
Company and subsidiaries							187,927	
Associated company							(780)	
							187,147	
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	

Notes:

(i) The capital 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 a group reorganisation which took place in 1993.

(ii) 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 (Continued)

(b) Company

	Share premium	Capital reserve (note(i))	Retained profits	Total reserves
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2001	47,986	61,083	408	109,477
Profit for the year	—	—	14,087	14,087
Dividend	—	—	(8,043)	(8,043)
At 31st December 2001	47,986	61,083	6,452	115,521
Representing:				
At 31st December 2001	47,986	61,083	1,090	110,159
Final dividend proposed (note 7)	—	—	5,362	5,326
	47,986	61,083	6,452	115,521
At 1st January 2000	47,986	61,083	411	109,480
Loss for the year	—	—	(3)	(3)
At 31st December 2000	47,986	61,083	408	109,477

Note:

(i) The capital 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 capital reserve is reclassified into its components of reserves of the underlying subsidiaries.

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$'000	HK$'000
Profit/(loss) before taxation	**19,890**	(44,919)
Amortisation and depreciation of fixed assets	**19,865**	47,351
Interest income	**(1,536)**	(4,093)
Interest expenses	**203**	172
(Gain)/loss on disposal of fixed assets	**(101)**	7,221
Gain on liquidation of a subsidiary	**—**	(3,130)
Share of loss of an associated company	**—**	310
Unrealised (gain)/loss on other investments	**(30)**	957
(Increase)/decrease in inventories	**(3,006)**	15,750
(Increase)/decrease in trade receivables, deposits, prepayments and other receivables	**(22,342)**	7,354
(Decrease)/increase in trade payables, accruals and other payables	**(8,237)**	1,467
Effect on foreign exchange rate changes	**(199)**	1,007
Net cash inflow from operating activities	**4,507**	29,447

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Group Minority interests	
	2001	2000
	HK$'000	HK$'000
At 1st January	**3,689**	14,850
Non-cash movements		
Share of profit	**2,438**	219
Liquidation of a subsidiary	—	(8,895)
Effect of foreign exchange rate changes	—	15
Dividend paid	—	(2,500)
At 31st December	**6,127**	3,689

(c) Liquidation of a subsidiary

	Group	
	2001	2000
	HK$'000	HK$'000
Net assets disposed of		
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)
		(3,130)
Gain on liquidation of a subsidiary	—	3,130
	—	—
Analysis of net outflow of cash and cash equivalents in respect of liquidation of a subsidiary:		
Bank balances and cash disposed	—	(4,227)

22. COMMITMENTS UNDER OPERATING LEASES

(a) Capital commitment for acquisition of a land use right in the PRC

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Contracted but not provided for	**3,403**	—

(b) Commitments under operating leases

At 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	Group	
		(As restated)
	2001	2000
	HK$'000	HK$'000
Not later than one year	**1,317**	1,480
Later than one year and not later than five years	**2,355**	3,195
Later than five years	**—**	151
	3,672	4,826

In last year's accounts, commitments under operating leases of the Group were presented to show the amount of minimum payments in the next twelve months after the balance sheet date under operating leases.

Pursuant to the adoption of SSAP 14(revised) which are effective for accounting periods commencing on or after 1st July 2000, the comparative figures for commitments under operating leases have been restated to show the aggregate minimum lease payments as at the balance sheet date.

The Company did not have any operating lease commitments as at 31st December 2001 and 2000.

23. PLEDGE OF ASSETS AND GUARANTEES

At 31st December 2001, 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$46,991,000 (2000: HK$47,380,000);

(b) legal charges over certain bank deposits of the Group of HK$18,000,000 (2000: HK$11,330,000);

(c) corporate guarantee from the Company; and

(d) joint and several guarantees from three Directors of the Company.

24. CONTINGENT LIABILITIES

At 31st December 2001, the Company provided corporate guarantees to a bank of HK$35 million (2000: HK$51 million) in respect of banking facilities granted to certain subsidiaries. The banking facilities utilised at 31st December 2001 amounted to approximately HK$1 million (2000: HK$14 million).

25. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 12th April 2002.