

Notes to the Financial Statements

For the year ended 31st December, 2001

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its principal subsidiaries are engaged in the manufacturing, trading, wholesaling and retailing of footwear products.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants.

Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior years have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior years.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. Accordingly, dividend income received from subsidiaries after the balance sheet date is not recognised in the income statement, resulting in a prior year adjustment which decreases the accumulated profits of the Company as at 1st January, 2000 by HK\$6,000,000.

Leases

In accordance with SSAP 14 (Revised) “Leases” has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group’s leasing arrangements. Disclosures for the Group’s leasing arrangements have been modified so as to comply with requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the year ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

Notes to the Financial Statements

For the year ended 31st December, 2001

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

Goodwill

In the current year, the Group has adopted SSAP 30 "Business combination" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on a acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Property, plant and equipment

Property, plant and equipment are stated at cost or 1995 valuation less depreciation and amortisation and accumulated impairment losses.

It is the Group's policy to state its property, plant and equipment on a historical cost basis. However, in compliance with the Rules Governing the Listing of Securities on the Stock Exchange, certain of the Group's leasehold land and buildings and plant and machinery were revalued at the time of its listing on the Stock Exchange in 1995 and stated in the financial statements at such valuation.

The Group does not intend to revalue these assets in the future and they will continue to be carried at their 1995 valuation less subsequent depreciation and amortisation.

The surplus arising on the revaluation of these assets was credited to the revaluation reserve. Any decreases in the net carrying amount of these assets in the future will be charged to the income statement to the extent that they exceed the surplus, if any, on the revaluation reserve relating to the previous revaluation of the same asset. On the subsequent disposal of these assets, the attributable revaluation surplus not transferred to accumulated profits in prior years will be transferred to accumulated profits.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation and amortisation are provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

| | |
|-----------------------------------|--|
| Leasehold land | Over the terms of the lease |
| Buildings | Over the terms of the lease, or 50 years, whichever is shorter |
| Plant and machinery | 20% |
| Furniture, fixtures and equipment | 20% |
| Motor vehicles | 20% |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates on acquisition in so far as it has not already been written off to income, less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity until the security is disposed of or is determined to have been impaired at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Turnover

Turnover represents the gross amount received and receivable for goods sold, net of returns and allowances and value added tax, during the year.

Revenue recognition

Sales of goods are recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in currencies other than Hong Kong dollar are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollar are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the Group's overseas operations which are denominated in currencies other than Hong Kong dollar are translated at the approximately rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits schemes

The retirement benefit costs charged in the income statement represent the contribution payable in respect of the year to the Group's defined contribution schemes.

Operating leases

Rental payables on properties under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

Notes to the Financial Statements

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4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

No business segment analysis is provided as substantially all of the Group's turnover and contribution to results were derived from the manufacture and distribution of footwear products during the year.

Geographical segments

The Group's footwear products operations are mainly carried out in the United States of America (the "U.S.") and the People's Republic of China (the "PRC").

The following tables provide analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

| | 2001 | | | | 2000 | | | |
|--|------------------|---------------------|--------------------|-------------------|------------------|---------------------|--------------------|-------------------|
| | U.S. HK\$'000 | The PRC HK\$'000 | Others HK\$'000 | Total HK\$'000 | U.S. HK\$'000 | The PRC HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| TURNOVER | 634,124 | 411,761 | 42,642 | 1,088,527 | 661,778 | 316,121 | 35,917 | 1,013,816 |
| RESULTS | | | | | | | | |
| Segment results | <u>(54,224)</u> | <u>(7,645)</u> | <u>8,083</u> | <u>(53,786)</u> | <u>4,050</u> | <u>3,208</u> | <u>4,584</u> | 11,842 |
| Gain on disposal of investments in securities | | | | 1,111 | | | | - |
| Income derived from investments in securities | | | | 6,317 | | | | 3,000 |
| Interest Income | | | | 967 | | | | 2,499 |
| Compensation income | | | | - | | | | 8,315 |
| Impairment loss recognised in respect of investments in securities | | | | (13,898) | | | | (50,335) |
| Unallocated corporate expenses | | | | <u>(9,594)</u> | | | | <u>(2,480)</u> |
| Loss from operations | | | | <u>(68,883)</u> | | | | (27,159) |
| Finance costs | | | | <u>(16,528)</u> | | | | (14,159) |
| Share of results of associates | 104 | 31 | 5 | 140 | 145 | 38 | 7 | 190 |
| Loss on disposal of interest in an associate | | | | <u>-</u> | | | | <u>(451)</u> |
| Loss before taxation | | | | <u>(85,271)</u> | | | | (41,579) |
| Taxation | | | | <u>(12,365)</u> | | | | <u>(6,000)</u> |
| Loss before minority interests | | | | <u>(97,636)</u> | | | | (47,579) |
| Minority interests | | | | <u>(2,143)</u> | | | | <u>(3,572)</u> |
| Loss for the year | | | | <u>(99,779)</u> | | | | <u>(51,151)</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

| | 2001 | | | | 2000 | | | |
|-----------------------------------|------------------|---------------------|--------------------|-------------------|------------------|---------------------|--------------------|-------------------|
| | U.S. HK\$'000 | The PRC HK\$'000 | Others HK\$'000 | Total HK\$'000 | U.S. HK\$'000 | The PRC HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| BALANCE SHEET | | | | | | | | |
| ASSETS | | | | | | | | |
| Segment assets | 385,822 | 285,182 | 15,243 | 686,247 | 480,912 | 297,666 | 17,516 | 796,094 |
| Interest in an associate | 1,682 | 493 | 83 | 2,258 | 1,885 | 495 | 89 | 2,469 |
| Investments in securities | | | | 24,437 | | | | 35,772 |
| Unallocated corporate assets | | | | 214 | | | | 724 |
| Consolidated total assets | | | | <u>713,156</u> | | | | <u>835,059</u> |
| LIABILITIES | | | | | | | | |
| Segment liabilities | 117,666 | 66,731 | 5,855 | 190,252 | 104,787 | 70,302 | 4,976 | 180,065 |
| Short-term bank borrowings | | | | 173,432 | | | | 210,611 |
| Unallocated corporate liabilities | | | | 6,435 | | | | 7,341 |
| Consolidated total liabilities | | | | <u>370,199</u> | | | | <u>398,017</u> |
| OTHER INFORMATION | | | | | | | | |
| Capital additions | 4,737 | 4,060 | 234 | 9,031 | 4,363 | 3,067 | 206 | 7,636 |
| Depreciation and amortisation | 8,366 | 4,256 | 414 | 13,036 | 12,294 | 4,657 | 581 | 17,532 |

Notes to the Financial Statements

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located.

| | Carrying amount of segment assets | | Additional to property, plant and equipment | |
|-----------|--------------------------------------|-------------------------|--|-------------------------|
| | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> |
| Hong Kong | 155,657 | 203,070 | 80 | 92 |
| The PRC | 473,558 | 453,110 | 8,901 | 7,497 |
| Others | 83,941 | 178,879 | 50 | 47 |
| | <u>713,156</u> | <u>835,059</u> | <u>9,031</u> | <u>7,636</u> |

5. OTHER REVENUE

Included in other revenue are the following:

| | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Gain on disposal of investments in securities | 1,111 | – |
| Gain on disposal of property, plant and equipment | 51 | – |
| Income derived from investments in securities <i>(note 15(b))</i> | 6,317 | 3,000 |
| Interest income | 967 | 2,499 |
| Release of negative goodwill to income | <u>150</u> | <u>–</u> |

6. COMPENSATION INCOME

On 25th June, 2000, the Group entered into an agreement with an independent third party (the “Developer”) pursuant to which, inter alia, the Group agreed to make available the land on which one of its factories was built to the Developer for the development of commercial properties. In return, the Developer has agreed to make a payment of approximately HK\$8.3 million to the Group as compensation for the Group’s relocation expenses.

Notes to the Financial Statements

For the year ended 31st December, 2001

7. LOSS FROM OPERATIONS

| | 2001 | 2000 |
|--|-------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| Loss from operations has been arrived at after charging: | | |
| Auditors' remuneration | 1,226 | 1,417 |
| Loss on disposal of property, plant and equipment | – | 3,024 |
| Operating lease charges on: | | |
| – leasehold land and buildings | 47,871 | 34,993 |
| – plant and machinery | 336 | 601 |
| | <u> </u> | <u> </u> |

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals for the year were as follows:

(a) Directors' emoluments

| | 2001 | 2000 |
|--|-------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| Fees | – | – |
| Other emoluments: | | |
| Executive directors | | |
| Salaries and other benefits | 15,389 | 3,001 |
| Performance related incentive payments | 68 | 68 |
| | <u> </u> | <u> </u> |
| | 15,457 | 3,069 |
| | <u> </u> | <u> </u> |
| | 15,457 | 3,069 |
| | <u> </u> | <u> </u> |

Emoluments of the directors were within the following bands:

| | Number of directors | |
|-------------------------------|----------------------------|-------------------|
| | 2001 | 2000 |
| HK\$1,000,000 or below | 7 | 8 |
| HK\$1,000,001 – HK\$1,500,000 | – | 2 |
| HK\$4,000,001 – HK\$4,500,000 | 1 | – |
| HK\$5,500,001 – HK\$6,000,000 | 2 | – |
| | <u> </u> | <u> </u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Employees' emoluments

The five highest paid individuals included three (2000: three) directors, details of whose emoluments are set out above. The emoluments of the remaining two (2000: two) individuals are as follows:

| | 2001 HK\$'000 | 2000 <i>HK\$'000</i> |
|-----------------------------|--------------------------------|-------------------------|
| Salaries and other benefits | <u>3,872</u> | <u>874</u> |

Emoluments of the employees were within the following bands:

| | Number of employees | |
|-------------------------------|----------------------------|----------|
| | 2001 | 2000 |
| HK\$1,000,000 or below | – | 2 |
| HK\$1,000,001 – HK\$1,500,000 | 1 | – |
| HK\$2,000,001 – HK\$2,500,000 | <u>1</u> | <u>–</u> |

9. FINANCE COSTS

| | 2001 HK\$'000 | 2000 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interest on borrowings wholly repayable within five years | <u>16,528</u> | <u>14,159</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

10. TAXATION

| | 2001 | 2000 |
|---|----------------------|--------------|
| | HK\$'000 | HK\$'000 |
| The charge comprises: | | |
| Hong Kong Profits Tax | | |
| – current year | – | 34 |
| – underprovision in previous years | – | 10 |
| | <u>–</u> | <u>44</u> |
| Other jurisdictions | | |
| – current year | 6,948 | 5,550 |
| – underprovision in previous years | 5,380 | 249 |
| | <u>12,328</u> | <u>5,799</u> |
| Taxation attributable to the Company and its subsidiaries | 12,328 | 5,843 |
| Share of taxation attributable to an associate | 37 | 157 |
| | <u>12,365</u> | <u>6,000</u> |

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for the year ended 31st December, 2001.

Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for the year ended 31st December, 2000.

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

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

Deferred taxation has not been provided on the revaluation surplus arising from the 1995 revaluation of the Group's properties in the PRC as, in the opinion of the directors, the Group does not have any intention to dispose of these properties in the foreseeable future.

Neither the Group nor the Company had any other significant unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements

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11. LOSS PER SHARE

The calculation of the loss per share for the year is based on the loss for the year of approximately HK\$99,779,000 (2000: HK\$51,151,000) and on 1,498,392,384 issued ordinary shares.

No disclosure of diluted loss per share has been presented because the exercise price of the Company's outstanding options was higher than the average market price for shares for both 2000 and 2001.

12. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings | Plant and machinery | Furniture, fixtures and equipment | Motor vehicles | Total |
|-------------------------------|---|--------------------------------|--|---------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| THE GROUP | | | | | |
| COST OR VALUATION | | | | | |
| At 1st January, 2001 | 120,635 | 82,732 | 25,992 | 9,019 | 238,378 |
| Exchange adjustments | 3,575 | 2,697 | 274 | 275 | 6,821 |
| Additions | 110 | 3,917 | 2,313 | 2,691 | 9,031 |
| Disposals | – | – | (644) | (371) | (1,015) |
| | <u>124,320</u> | <u>89,346</u> | <u>27,935</u> | <u>11,614</u> | <u>253,215</u> |
| At 31st December, 2001 | | | | | |
| Comprising: | | | | | |
| At cost | 104,820 | 46,761 | 27,935 | 11,614 | 191,130 |
| At valuation – 1995 | 19,500 | 42,585 | – | – | 62,085 |
| | <u>124,320</u> | <u>89,346</u> | <u>27,935</u> | <u>11,614</u> | <u>253,215</u> |
| DEPRECIATION AND AMORTISATION | | | | | |
| At 1st January, 2001 | 24,988 | 68,611 | 15,445 | 7,716 | 116,760 |
| Exchange adjustments | 543 | 2,318 | 207 | 225 | 3,293 |
| Provided for the year | 3,390 | 6,240 | 2,080 | 1,326 | 13,036 |
| Eliminated on disposals | – | – | (527) | (323) | (850) |
| | <u>28,921</u> | <u>77,169</u> | <u>17,205</u> | <u>8,944</u> | <u>132,239</u> |
| At 31st December, 2001 | | | | | |
| NET BOOK VALUE | | | | | |
| At 31st December, 2001 | <u>95,399</u> | <u>12,177</u> | <u>10,730</u> | <u>2,670</u> | <u>120,976</u> |
| At 31st December, 2000 | <u>95,647</u> | <u>14,121</u> | <u>10,547</u> | <u>1,303</u> | <u>121,618</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Certain of the Group's leasehold land and buildings and plant and machinery are stated at 1995 valuation less subsequent depreciation and amortisation. The valuation was carried out by Chesterton Petty International Property Consultants, a firm of independent property valuers, as at 31st August, 1995 on an open market existing use basis. No further valuation will be carried out on these assets.

The Group's leasehold land and buildings are held under medium-term leases and located in the PRC.

The Company did not have any property, plant and equipment as at the balance sheet date.

13. INTERESTS IN SUBSIDIARIES

| | THE COMPANY | |
|--------------------------|----------------|----------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Unlisted shares, at cost | 165,635 | 165,635 |
| Loan to a subsidiary | — | 44,546 |
| | <u>165,635</u> | <u>210,181</u> |

The cost of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the corporate reorganisation which took place in 1995.

The loan to a subsidiary was unsecured, non-interest bearing and was fully settled during the year.

Particulars of the Company's subsidiaries as at 31st December, 2001 are set out in note 31.

14. INTEREST IN AN ASSOCIATE

| | 2001 | 2000 |
|---------------------|--------------|--------------|
| | HK\$'000 | HK\$'000 |
| Share of net assets | <u>2,258</u> | <u>2,469</u> |

Particulars of the Group's associate as at 31st December, 2001 are set out in note 32.

Notes to the Financial Statements

For the year ended 31st December, 2001

15. INVESTMENTS IN SECURITIES

| | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Other equity securities, at fair value: | | |
| Listed shares (<i>Note a</i>) | – | 11,333 |
| Unlisted securities (<i>Note b</i>) | <u>24,437</u> | <u>24,439</u> |
| | <u>24,437</u> | <u>35,772</u> |

Notes:

(a) Listed shares

At 31st December, 2001, the Group held approximately 14.4% interest in Sun Home Leather Corporation Limited 尚鋒興業股份有限公司 (“Sun Home”), which is engaged in the manufacture and trading of leather materials.

On 30th November, 2001, Sun Home was delisted from the Taiwan Stock Exchange Corporation and authorised to be listed on Over-The-Counter market on the same date. The Directors were in the opinion that the carrying value for Sun Home should be recognised as impairment loss in 2001 as the fair value of Sun Home is not available. The fair value for the year ended 31st December, 2000 represented the market price of Sun Home’s share as at that date.

(b) Unlisted securities

The Group holds a 30% interest in the registered capital of Jingxing Shoe Industrial Co., Ltd. Putian City 莆田市涵江金星鞋業有限公司 (“Jingxing”), a sino-foreign joint venture established in the PRC for a term of 70 years commencing November 1991. The principal activity of Jingxing is to manufacture and sell shoes.

During the year ended 31st December, 1999, the Group entered into agreements with an affiliate (the “Guarantor”) of one of the joint venture partners in Jingxing whereby in return for an annual payment by the Guarantor for each of the four years ending 31st December, 2002, the Group has agreed to surrender its right to the share in any profit in Jingxing for the same period. By virtue of these agreements, the amount receivable by the Group from the Guarantor for the year ended 31st December, 2001 was approximately HK\$6,317,000 (2000: HK\$3,000,000), and the minimum amount the Group is guaranteed to receive for the remaining year ending 31st December, 2002 is HK\$3,000,000.

In the opinion of the directors, despite the 30% interest in Jingxing, the Group is not in a position to exercise significant influence in the financial and operating decisions of Jingxing. Consequently, Jingxing is accounted for as a passive investment, rather than as an associate of the Group.

Notes to the Financial Statements

For the year ended 31st December, 2001

16. NEGATIVE GOODWILL

| | <i>HK\$'000</i> |
|--|-----------------|
| GROSS AMOUNT | |
| Arising on acquisition of additional interest in a subsidiary during the year and at 31st December, 2001 | 2,000 |
| RELEASED TO INCOME | |
| Released in the year and at 31st December, 2001 | <u>(150)</u> |
| CARRYING AMOUNT | |
| At 31st December, 2001 | <u>1,850</u> |

The negative goodwill arose on the Group's acquisition of an additional 28% equity interests in Dasheng Footwear Co., Ltd. Putian City莆田涵江大盛鞋業有限公司 on 7th April, 2001 and is released to income statement on a straight-line basis of 10 years.

17. INVENTORIES

| | 2001 | 2000 |
|------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Raw materials | 33,296 | 35,967 |
| Work in progress | 20,842 | 23,637 |
| Finished goods | <u>129,401</u> | <u>121,321</u> |
| | <u>183,539</u> | <u>180,925</u> |

Included above are raw materials of approximately HK\$2,581,000 (2000: HK\$2,206,000) and finished goods of approximately HK\$21,933,000 (2000: HK\$6,921,000) carried at net realisable value.

Notes to the Financial Statements

For the year ended 31st December, 2001

18. 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 will be agreed by both parties. The following is an aging analysis of trade receivables included in trade and other receivables at the balance sheet date:

| | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Trade receivables: | | |
| Not yet due | 111,432 | 142,324 |
| Overdue 0 – 30 days | 25,505 | 20,241 |
| Overdue 31 – 60 days | 9,869 | 1,719 |
| Overdue 61 – 90 days | 1,999 | 14,993 |
| Overdue 91 – 120 days | 1,887 | 3,835 |
| Overdue 121 – 180 days | 6,473 | 3,459 |
| Overdue 181 – 360 days | 4,386 | – |
| Overdue more than 360 days | 5,141 | 222 |
| | <u>166,692</u> | <u>186,793</u> |

19. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables included in trade and other payables at the balance sheet date:

| | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Trade payables: | | |
| Not yet due | 62,974 | 67,226 |
| Overdue 0 – 30 days | 37,933 | 27,540 |
| Overdue 31 – 60 days | 7,441 | 20,511 |
| Overdue 61 – 90 days | 5,324 | 39 |
| Overdue 91 – 120 days | 610 | 898 |
| Overdue 121 – 180 days | 9,023 | 5,446 |
| Overdue 181 – 360 days | 1,007 | 115 |
| Overdue more than 360 days | 3,894 | 294 |
| | <u>128,206</u> | <u>122,069</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

20. SHORT-TERM BANK BORROWINGS

| | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Bank borrowings comprise: | | |
| Bank loans | 173,432 | 210,611 |
| Bank overdrafts | 9 | 178 |
| | <u>173,441</u> | <u>210,789</u> |
| Analysed as: | | |
| Secured | 91,159 | 98,023 |
| Unsecured | 82,282 | 112,766 |
| | <u>173,441</u> | <u>210,789</u> |
| The Group's bank borrowings are secured by: | | |
| Leasehold land and buildings at carrying value | 91,390 | 91,769 |
| Pledged bank deposit | 7,800 | – |
| Investments in securities – 1,950,000 shares of Sun Home | – | 8,462 |

21. SHARE CAPITAL

| | Number of ordinary shares | Authorised 2001 & 2000 <i>HK\$'000</i> | Issued and fully paid 2001 & 2000 <i>HK\$'000</i> |
|----------------------------------|--|--|---|
| Ordinary shares of HK\$0.10 each | 10,000,000,000 | 1,000,000 | 149,839 |

There were no movements in the Company's share capital for both years.

22. SHARE OPTION SCHEME

Details of the share option scheme (the "Scheme") of the Company are set out in the Directors' Report of the annual report under the section headed "SHARE OPTIONS".

At 1st January, 2001 and 31st December, 2001, 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.

Notes to the Financial Statements

For the year ended 31st December, 2001

23. RESERVES

| | Plant and | | | | | | | | | | | Total | | |
|---|---------------|------------|-------------|-------------|-------------|-------------|-------------|----------|----------------|----------|------------|----------|---------------------|-----------|
| | Share premium | Capital | Property | machinery | | Investments | Translation | Goodwill | Merger reserve | General | Enterprise | | Accumulated profits | |
| | | redemption | revaluation | revaluation | revaluation | revaluation | | | | reserve | fund | | | expansion |
| | | reserve | reserve | reserve | reserve | reserve | | | | reserve | fund | | | fund |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| THE GROUP | | | | | | | | | | | | | | |
| At 1st January, 2000 | 2,315 | 2,882 | 1,184 | 23,438 | (7,639) | (26,766) | (36,782) | 322 | 2,747 | 3,299 | 335,266 | 300,266 | | |
| Exchange differences arising from translations of financial statements of overseas operations | - | - | - | - | - | 5,967 | - | - | - | - | - | 5,967 | | |
| Transfer | - | - | - | (23,438) | - | - | - | - | 623 | 623 | 22,192 | - | | |
| Share of an associate's reserve movements | - | - | - | - | - | (146) | - | - | 13 | 13 | (26) | (146) | | |
| Realised on impairment of investments in securities | - | - | - | - | 7,639 | - | - | - | - | - | - | 7,639 | | |
| Loss for the year | - | - | - | - | - | - | - | - | - | - | (51,151) | (51,151) | | |
| At 1st January, 2001 | 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 | - | - | - | - | - | 13,443 | - | - | - | - | - | 13,443 | | |
| Transfer | - | - | - | - | - | - | - | - | 502 | 502 | (1,004) | - | | |
| Share of an associate's reserve movements | - | - | - | - | - | (74) | - | - | 3 | 3 | (6) | (74) | | |
| Loss for the year | - | - | - | - | - | - | - | - | - | - | (99,779) | (99,779) | | |
| At 31st December, 2001 | 2,315 | 2,882 | 1,184 | - | - | (7,576) | (36,782) | 322 | 3,888 | 4,440 | 205,492 | 176,165 | | |
| Attributable to an associate: | | | | | | | | | | | | | | |
| At 31st December, 2001 | - | - | - | - | - | (847) | - | - | 207 | 204 | 354 | (82) | | |
| At 31st December, 2000 | - | - | - | - | - | (773) | - | - | 204 | 201 | 497 | 129 | | |

The goodwill reserve comprises approximately HK\$38,776,000 (2000: HK\$38,776,000) in respect of goodwill and approximately HK\$1,994,000 (2000: HK\$1,994,000) in respect of negative goodwill.

Notes to the Financial Statements

For the year ended 31st December, 2001

23. RESERVES (continued)

| | Share premium <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Accumulated (losses) profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|---|--|---------------------------------|
| THE COMPANY | | | | | |
| At 1st January, 2000 | | | | | |
| – as originally | 2,315 | 2,882 | 152,891 | 694 | 158,782 |
| – prior year adjustment in respect of change in accounting policy (note 2) | – | – | – | (6,000) | (6,000) |
| – as restated | 2,315 | 2,882 | 152,891 | (5,306) | 152,782 |
| Profit for the year | – | – | – | 2,375 | 2,375 |
| At 1st January, 2001 | | | | | |
| – as restated | 2,315 | 2,882 | 152,891 | (2,931) | 155,157 |
| Profit for the year | – | – | – | 4,532 | 4,532 |
| At 31st December, 2001 | 2,315 | 2,882 | 152,891 | 1,601 | 159,689 |

The merger reserve represents the difference between the aggregate nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued by the Company as consideration for the acquisition pursuant to the corporate reorganisation in 1995.

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the corporate reorganisation in 1995 and the nominal amount of the Company's shares issued for the acquisition.

The general reserve fund and the enterprise expansion fund are statutory reserves required by the PRC laws for the Group's PRC subsidiaries and associate.

The Company's reserves available for distribution to its shareholders comprise share premium, contributed surplus and accumulated profits which in aggregate amounted to approximately HK\$156,807,000 (2000: HK\$152,275,000). Under the Companies Law (Revised) of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company.

Notes to the Financial Statements

For the year ended 31st December, 2001

24. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss before taxation | (85,271) | (41,579) |
| Share of results of associates | (140) | (190) |
| Loss on disposal of interest in an associate | – | 451 |
| Interest income | (967) | (2,499) |
| Interest expense | 16,528 | 14,159 |
| Compensation income | – | (8,315) |
| Depreciation and amortisation | 13,036 | 17,532 |
| Gain on disposal of investments in securities | (1,111) | – |
| (Gain) loss on disposal of property, plant and equipment | (51) | 3,024 |
| Impairment loss recognised in respect of investments in securities | 13,898 | 50,335 |
| Provision for bad and doubtful debts | 8,784 | – |
| Release of negative goodwill to income | (150) | – |
| Decrease (increase) in inventories | 2,887 | (13,812) |
| Decrease in trade and other receivables | 33,041 | 69,546 |
| Increase (decrease) in trade and other payables | 15,099 | (58,866) |
| Decrease in amount due to an associate | (533) | (2,585) |
| (Increase) decrease in amount due to a related company | (1,775) | 2,927 |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 13,275 | 30,128 |

Notes to the Financial Statements

For the year ended 31st December, 2001

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

| | Share capital and premium | Bank borrowings | Minority interests |
|--|--------------------------------------|----------------------------|-------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1st January, 2000 | 152,154 | 109,730 | 23,774 |
| Exchange adjustments | – | 4,073 | – |
| Dividends paid by subsidiaries to minority shareholders | – | – | (3,577) |
| Share of translation reserve of subsidiaries by minority shareholders | – | – | 859 |
| Share of profits of subsidiaries by minority shareholders | – | – | 3,572 |
| New borrowings raised during the year | – | 357,818 | – |
| Repayments during the year | – | (261,010) | – |
| | <hr/> | <hr/> | <hr/> |
| At 1st January, 2001 | 152,154 | 210,611 | 24,628 |
| Exchange adjustments | – | (2,268) | – |
| Disposal of interest in a subsidiary by minority shareholders | – | – | (7,225) |
| Dividends paid by subsidiaries to minority shareholders | – | – | (2,881) |
| Share of translation reserve of subsidiaries by minority shareholders | – | – | 368 |
| Share of profits of subsidiaries by minority shareholders | – | – | 2,143 |
| New borrowings raised during the year | – | 229,845 | – |
| Repayments during the year | – | (264,756) | – |
| | <hr/> | <hr/> | <hr/> |
| At 31st December, 2001 | <u>152,154</u> | <u>173,432</u> | <u>17,033</u> |

26. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | Land and buildings | | Plant and machinery | |
|---------------------------------------|---------------------------|-----------------|----------------------------|-----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within one year | 53,047 | 10,756 | 32 | 77 |
| In the second to fifth year inclusive | 62,029 | 36,006 | – | – |
| Over five years | 12,682 | 8,181 | – | – |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | <u>127,758</u> | <u>54,943</u> | <u>32</u> | <u>77</u> |

Operating lease payments represent rentals payable by the Group for certain of its office properties, retail shops and plant and machinery. The average lease term is 2 to 3 years. Rentals are fixed and no arrangement has been entered into for contingent rental payments.

Notes to the Financial Statements

For the year ended 31st December, 2001

27. CAPITAL COMMITMENTS

| | 2001 <i>HK\$'000</i> | 2000 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements | <u>1,817</u> | <u>-</u> |

28. CONTINGENT LIABILITIES

THE GROUP

The Group had no significant contingent liabilities at the balance sheet date.

THE COMPANY

At the balance sheet date, the Company has given limited guarantees to various banks to secure general banking facilities granted to certain subsidiaries amounted to approximately HK\$75,875,000 (2000: HK\$107,075,000).

29. RETIREMENT BENEFITS SCHEMES

Effective 1st December, 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

During the year under review, the total amount contributed by the Group to the MPF Scheme amounted to approximately HK\$132,000 (2000: HK\$9,000).

The Group is also required to make contributions to state pension schemes in the PRC based on a certain percentage of the monthly salaries of the employees of its PRC subsidiaries. The Group has no other obligation under the state pension schemes in the PRC other than the contribution payment.

The Group has provided approximately HK\$3,390,000 (2000: HK\$1,677,000) for the year to cover the contributions payable to the state pension schemes.

Notes to the Financial Statements

For the year ended 31st December, 2001

30. RELATED PARTY DISCLOSURE

During the year, the Group entered into the following significant transactions with related parties:

- (a) The Group purchased goods and services from an associate amounted to approximately HK\$4,103,000 (2000: HK\$6,599,000).
- (b) The Group purchased shoe materials amounted to approximately HK\$7,375,000 (2000: HK\$6,076,000) from Sun Home in which Messrs Chang Wen I and Chen Hsien Min are directors.

The above transactions were carried out in accordance with terms determined and agreed by both parties and the balances with these related parties are unsecured, non-interest bearing and repayable on demand.

31. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31st December, 2001 are as follows:

| Name of subsidiary | Place of incorporation/ establishment and operations | Issued and fully paid share/ registered capital | Proportion of nominal value of issued/registered capital held by the Company (Note (a) below) % | Principal activity |
|--|--|--|---|--|
| Dachang Paper Industry Co., Ltd. Fujian 福建省大昌紙業有限公司 | PRC | Registered capital US\$900,000 | 88.15 | Manufacture of shoe components |
| Dafu Footwear Co., Ltd. Hanjiang Putian City 莆田市涵江大福鞋業有限公司 | PRC | Registered capital US\$3,180,000 | 90 | Manufacture of footwear products |
| Dasheng Footwear Co., Ltd. Putian City 莆田市涵江大盛鞋業有限公司 | PRC | Registered capital US\$4,285,700 | 100 | Manufacture of shoe components |
| Daxing Shoe Material Co., Ltd. Hanjiang Putian City 莆田市涵江大興鞋材有限公司 | PRC | Registered capital US\$1,199,925 | 100 | Manufacture of footwear products |
| Fujian Gentlefit Footwear Headware & Clothing Ornament Products Co. Ltd. 福建祥田鞋帽服飾製品有限公司 | PRC | Registered capital US\$200,000 | 100 | Distribution and retail sales of footwear products |

Notes to the Financial Statements

For the year ended 31st December, 2001

31. SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation/ establishment and operations | Issued and fully paid share/ registered capital | Proportion of nominal value of issued/registered capital held by the Company (Note (a) below) % | Principal activity |
|---|--|--|--|---|
| Victoria Success Investment Co., Ltd. 永恩投資(集團)有限公司 (Formerly known as Fujian Victoria Success Investment Co., Ltd.) 福建永恩投資(集團)有限公司 | PRC | Registered capital US\$12,000,000 | 100 | Distribution and retail sales of footwear products |
| Fuzhou Running Star Footwear Co., Ltd. Fuzhou 福州成偉鞋業有限公司 | PRC | Registered capital US\$1,400,000 | 100 | Inactive |
| Gentlefit Trading Limited 祥田貿易有限公司 | Hong Kong | Ordinary shares HK\$100 Non-voting deferred shares HK\$13,055,667 (Note (b) below) | 100 – | Trading in footwear products, investment holding and trademarks holder |
| Jacaranda International Limited | British Virgin Islands/ Hong Kong | Ordinary shares US\$2 | 100 | Investment holdings |
| Modern City Development Limited 成田發展有限公司 | Hong Kong | Ordinary shares HK\$100 Non-voting deferred shares HK\$10,000 (Note (b) below) | 100 – | Inactive |
| Prime Success (BVI) Limited | British Virgin Islands/ Hong Kong | Ordinary shares US\$50,000 | 100 | Investment holdings |
| Putian Hanjiang Footwear Co., Ltd. 莆田市涵江鞋業有限公司 | PRC | Registered capital US\$6,000,000 | 75 | Manufacture of footwear products |

Notes to the Financial Statements

For the year ended 31st December, 2001

31. SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation/ establishment and operations | Issued and fully paid share/ registered capital | Proportion of nominal value of issued/registered capital held by the Company (Note (a) below) % | Principal activity |
|---|--|---|---|----------------------------------|
| Shanghai Gentlefit Shoes & Caps Fashion Co., Ltd. 上海祥田鞋帽服飾制品有限公司 | PRC | Registered capital US\$1,400,000 | 100 | Inactive |
| Shanghai Guang Wei Industry & Commerce Co., Ltd. 上海光偉實業有限公司 | PRC | Registered capital US\$3,600,000 | 84.45 | Manufacture of footwear products |
| Victoria Success (Shanghai) Limited 永恩實業(上海)有限公司 | PRC | Registered capital US\$5,000,000 | 100 | Manufacture of footwear products |
| Winson Union Limited 永信聯有限公司 | Hong Kong | Ordinary shares HK\$10,000 | 100 | Inactive |

Notes:

- Other than Prime Success (BVI) Limited which is held directly by the Company, all subsidiaries shown above are held indirectly by the Company.
- The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distributions on winding up.
- None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.
- All subsidiaries of the Group established in the PRC are in the form of equity joint venture.

32. ASSOCIATE

Particulars of the Group's associate which was held indirectly by the Company as at 31st December, 2001 are as follows:

| Name of associate | Form of business structure | Place of establishment and operations | Class of shares held | Proportion of nominal value of registered capital indirectly held by the Company % | Principal activity |
|---|----------------------------|---------------------------------------|----------------------|--|-------------------------------|
| Dayong Shoe Material Co., Ltd. Hanjiang Putian City 莆田市涵江大永鞋業有限公司 | Incorporated | PRC | Registered capital | 30 | Manufacture of shoe materials |