

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of land use rights and buildings.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 (SSAP 25) Interim Financial Reporting issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In the current period, the Group has adopted, for the first time, SSAP 15 (Revised) Cash Flow Statements and SSAP 1 (Revised) Presentation of Financial Statements issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Other than the above, the accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December 2001.

2. GEOGRAPHICAL AND BUSINESS SEGMENTS**Geographical segments**

For management purposes, the Group is currently organised into three major geographical segments based on the location of its customers. These segments are the basis on which the Group reports its primary segment information.

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

2002

	North America US\$'000	Europe US\$'000	Asia US\$'000	Others US\$'000	Consolidated US\$'000
Revenue					
Turnover	<u>32,578</u>	<u>5,899</u>	<u>9,721</u>	<u>2,670</u>	<u>50,868</u>
Results					
Segment results	<u>3,681</u>	<u>667</u>	<u>1,098</u>	<u>302</u>	5,748
Unallocated corporate expenses					<u>(1,985)</u>
Profit from operations					3,763
Interest on bank borrowings wholly repayable within five years					(462)
Interest income					83
Share of results of an associate					(45)
Share of results of a jointly controlled entity					(96)
Taxation					<u>(71)</u>
Net profit attributable to shareholders					<u>3,172</u>

2. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

2001

	North America <i>US\$'000</i>	Europe <i>US\$'000</i>	Asia <i>US\$'000</i>	Others <i>US\$'000</i>	Consolidated <i>US\$'000</i>
Revenue					
Turnover	<u>39,863</u>	<u>12,169</u>	<u>11,830</u>	<u>2,433</u>	<u>66,295</u>
Results					
Segment results	<u>4,650</u>	<u>1,420</u>	<u>1,380</u>	<u>284</u>	7,734
Unallocated corporate expenses					<u>(2,087)</u>
Profit from operations					5,647
Interest on bank borrowings wholly repayable within five years					(746)
Interest income					123
Share of results of an associate					(26)
Taxation					<u>(155)</u>
Net profit attributable to shareholders					<u>4,843</u>

No analysis of financial information by business segment is presented as all the Group's turnover and trading results are generated from the manufacture and sale of footwear products.

3. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2002 <i>US\$'000</i>	2001 <i>US\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' emoluments	512	716
Other staff costs	9,334	11,156
Retirement benefits contribution	580	424
Total staff costs	<u>10,426</u>	<u>12,296</u>
Auditors' remuneration	43	47
Depreciation and amortisation	<u>5,449</u>	<u>5,359</u>

4. TAXATION

	Six months ended 30th June,	
	2002	2001
	US\$'000	US\$'000
The charge comprises:		
Hong Kong Profits Tax	1	2
Taxation in other jurisdictions		
– People's Republic of China (the "PRC")	63	150
– Republic of China ("Taiwan")	7	3
	<u>71</u>	<u>155</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for both periods. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. DIVIDENDS

	Six months ended 30th June,	
	2002	2001
	US\$'000	US\$'000
Interim dividend of 1 Hong Kong cent per ordinary share (2001: 1 Hong Kong cent per ordinary share)	931	931
Dividend paid for convertible non-voting preference shares	—	302
	<u>931</u>	<u>1,233</u>

6. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2002	2001
	US\$'000	US\$'000
Earnings		
Profit attributable to shareholders	3,172	4,843
Dividend for convertible non-voting preference shares	—	(302)
Earnings for the purpose of basic earnings per share	3,172	4,541
Effect of dilutive potential ordinary shares:		
– Dividend for convertible non-voting preference shares	—	302
Earnings for the purpose of diluted earnings per share	<u>3,172</u>	<u>4,843</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	721,300,000	721,298,895
Effect of dilutive potential ordinary shares:		
– Share options	3,785,185	3,785,185
– Convertible non-voting preference shares	—	63,701,269
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>725,085,185</u>	<u>788,785,349</u>

7. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$985,000 (six months ended 30th June, 2001: US\$2,003,000) on additions to property, plant and equipment.

8. TRADE AND OTHER RECEIVABLES

The Group grants an average credit period of approximately 30 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	30th June, 2002 US\$'000	31st December, 2001 US\$'000
0-30 days	6,912	8,844
31-60 days	669	420
>60 days	906	1,437
Total trade receivables	8,487	10,701
Other receivables	3,392	2,919
	11,879	13,620

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30th June, 2002 US\$'000	31st December, 2001 US\$'000
0-30 days	6,107	3,683
31-60 days	1,642	1,396
>60 days	7,396	6,549
Total trade payables	15,145	11,628
Other payables	6,938	7,552
	22,083	19,180

10. SHARE CAPITAL

	30th June, 2002		31st December, 2001	
	Number of shares	Amount US\$'000	Number of shares	Amount US\$'000
Ordinary shares of HK\$0.10 each				
Authorised	1,500,000,000	19,355	1,500,000,000	19,355
Issued and fully paid	721,300,000	9,307	721,300,000	9,307

11. COMMITMENTS

	30th June, 2002 US\$'000	31st December, 2001 US\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment	81	178

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 1 Hong Kong cent per ordinary share for the six months ended 30th June, 2002 to shareholders whose names appear on the register of members on 11th October, 2002. The dividend warrants will be sent to shareholders on or before 18th October, 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8th October, 2002 to Friday, 11th October, 2002, both days inclusive, during which no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrars, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Monday, 7th October, 2002.

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30th June, 2002, the Group's turnover was US\$50,868,000, and the Group's net profit attributable to shareholders was US\$3,172,000.

Stepping into 2002, US consumers were still in soft confidence and the overall market sentiment was downcast. On the other hand, the footwear market was still dampened by the European quota system as importers without import quota having difficulty in sourcing footwear products from the PRC. Hence, export of the Group's product to Europe was significantly affected. In the whole, the global economy continued to be sluggish, momentum of recovery was draggy, all attributing to the downturn of the Group's turnover.

Although the turnover decreased and the net profit margin lowered from 7% in 2001 to 6% in 2002, the ratio of operating profits (EBITDA) to turnover increased from 17% in 2001 to 18% in 2002, the management is still strict in cost control.

The Directors remain cautious to results for the second half of 2002. The Directors considers that turnover in 2002 would be the lowest for the years. With the growth of its business and the addition of the Japan market, the Directors expect that turnover will record a positive growth by 2003. With the recovery of the US economy next year and the lifting of the European import quota in early 2005, the Group expects that turnover will have continuous growth in 2004 and 2005.