

## INTERIM RESULTS

The directors of Sunny Global Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2003 together with comparative figures for the corresponding period in 2002 as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31 March	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
<b>Turnover</b>	3	<b>177,842</b>	209,006
Cost of sales		<u>(162,452)</u>	<u>(183,597)</u>
<b>Gross profit</b>		<b>15,390</b>	25,409
Other revenue		147	512
Administrative expenses		(3,286)	(2,563)
Distribution costs		<u>(5,634)</u>	<u>(1,654)</u>
<b>Operating profit</b>		<b>6,617</b>	21,704
Finance costs		<u>(67)</u>	<u>(123)</u>
<b>Profit before taxation</b>		<b>6,550</b>	21,581
Taxation	5	<u>(1,381)</u>	<u>(3,218)</u>
<b>Profit after taxation</b>		<b>5,169</b>	18,363
Minority interests		<u>–</u>	<u>(43)</u>
<b>Profit attributable to shareholders</b>		<b>5,169</b>	18,320
<b>Dividends</b>	6	<u>–</u>	<u>6,522</u>
		<b>HK cents</b>	HK cents
<b>Earnings per share – Basic</b>	7	<u><b>1.3</b></u>	<u>5.4</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 March 2003 (unaudited) HK\$'000	As at 30 September 2002 (audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		15,147	15,460
Other investment		999	999
		<b>16,146</b>	16,459
<b>Current assets</b>			
Inventories		25,365	22,432
Trade and other receivables	8	33,112	49,591
Cash at banks		56,761	44,940
		<b>115,238</b>	116,963
<b>Current liabilities</b>			
Short term loans		3,428	3,104
Trade and other payables	9	29,065	33,977
Provision for tax		22,244	20,863
		<b>54,737</b>	57,944
<b>Net current assets</b>		<b>60,501</b>	59,019
<b>Net assets</b>		<b>76,647</b>	75,478
<b>CAPITAL AND RESERVES</b>			
<b>Share capital</b>	10	40,000	40,000
<b>Reserves</b>	11	36,647	31,478
Proposed final dividend		–	4,000
<b>Shareholders' funds</b>		<b>76,647</b>	75,478

## CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 March	
	2003 (unaudited) <i>HK\$'000</i>	2002 (unaudited) <i>HK\$'000</i>
Net cash from operating activities	15,885	15,683
Net cash used in investing activities	(388)	(43)
Net cash used in financing activities	(3,676)	(12,733)
Net increase in cash at banks	11,821	2,907
Cash at banks at 1 October	44,940	3,580
Cash at banks at 31 March	56,761	6,487

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	For the six months ended 31 March	
		2003 (unaudited) <i>HK\$'000</i>	2002 (unaudited) <i>HK\$'000</i>
Opening balance – Total equity		75,478	27,185
Minority interests arising on acquisition of additional interest in a subsidiary		–	564
Profit attributable to shareholders		5,169	18,320
Final dividend for the year ended 30 September 2002		(4,000)	–
Special dividend		–	(6,522)
Closing balance – Total equity		76,647	39,547

## **NOTES TO THE UNAUDITED FINANCIAL STATEMENTS:**

### **1. BASIS OF PRESENTATION AND COMPARATIVE FIGURES**

The Company was incorporated in Bermuda on 7 November 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a group reorganisation in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of its subsidiaries on 12 June 2002. The shares of the Company were listed on the Stock Exchange on 3 July 2002. The Group resulting from the group reorganization has been treated as a continuing entity. Accordingly, the comparative figures for the preceding financial period have been prepared on the basis as if the Company had been the holding company of the Group during the relevant period.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 30 September 2002.

### 3. SEGMENT INFORMATION

The analysis of segment revenue and results by geographical segment is based on the countries in which the customers are located. An analysis of the Group's segment revenue and results for the six months ended 31 March 2003 and 2002 by geographical segment is as follows:

	Europe <i>HK\$'000</i>	PRC <i>HK\$'000</i>	United States of America <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2003</b>					
Segment revenue:					
Sales to external customers	<u>144,087</u>	<u>7,244</u>	<u>12,385</u>	<u>14,126</u>	<u>177,842</u>
Segment results	<u>5,127</u>	<u>399</u>	<u>441</u>	<u>503</u>	6,470
Bank interest income					147
Finance costs					<u>(67)</u>
Profit before taxation					6,550
Taxation					<u>(1,381)</u>
Profit after taxation					5,169
Minority interests					<u>—</u>
Profit attributable to shareholders					<u>5,169</u>
<b>2002</b>					
Segment revenue:					
Sales to external customers	<u>160,470</u>	<u>7,363</u>	<u>16,274</u>	<u>24,899</u>	<u>209,006</u>
Segment results	<u>16,656</u>	<u>751</u>	<u>1,689</u>	<u>2,584</u>	21,680
Bank interest income					24
Finance costs					<u>(123)</u>
Profit before taxation					21,581
Taxation					<u>(3,218)</u>
Profit after taxation					18,363
Minority interests					<u>(43)</u>
Profit attributable to shareholders					<u>18,320</u>

### 3. SEGMENT INFORMATION (continued)

As the Group's segment revenue and results were contributed solely by the manufacture and sale of footwear products, segmental analysis by business activity is not presented.

All of the Group's assets as at 31 March 2003 and 2002 and its capital expenditure for the periods then ended were located or utilized in the PRC.

### 4. DEPRECIATION

Depreciation and amortization on property, plant and equipment during the six months ended 31 March 2003 was approximately HK\$848,000 (2002: HK\$811,000).

### 5. TAXATION

	Six months ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Overseas tax		
– Subsidiaries	<u>1,381</u>	<u>3,218</u>

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit for the period.

Huayi Footwear Co., Ltd Jinjiang, a subsidiary of the Company established in Jinjiang, the Minnan area of the PRC, is subject to PRC income tax on its assessable profits at a preferential tax rate of 12% (2002: 12%).

PRC income tax has been provided at the rate of 15% (2002: 15%) on the estimated assessable profits of Streaks Worldwide Ltd. and Vento Group Limited, subsidiaries of the Company, for the period.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred liability as at 31 March 2003. (2002: Nil).

### 6. DIVIDENDS

	Six months ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Special	<u>–</u>	<u>6,522</u>

Special dividends for the six months ended 31 March 2002 were declared and paid by certain subsidiaries of the Company to their then shareholders prior to the group reorganisation, which was completed on 12 June 2002.

## 6. DIVIDENDS (continued)

The directors resolved not to declare any dividend in respect of the six months ended 31 March 2003.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the period of HK\$5,169,000 (2002: HK\$18,320,000) and on the weighted average of 400,000,000 (2002: 340,000,000) ordinary shares in issue during the period.

The weighted average number of shares used to calculate the earnings per share for the six months ended 31 March 2002 includes the pro forma issued shares of the Company, comprising 1,000,000 shares issued nil paid on incorporation of the Company and 1,000,000 shares issued for the acquisition of the entire share capital of Fortress Ocean Limited and the capitalization issue of 338,000,000 shares. The weighted average number of shares used to calculate the earnings per share for the six months ended 31 March 2003 includes the additional 60,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 3 July 2002.

No diluted earnings per share is presented for both periods as there were no potential ordinary shares in issue.

## 8. TRADE AND OTHER RECEIVABLES

The Group's policy is to allow an average credit period of 30 to 60 days to its trade customers.

The ageing analysis of the trade receivables is as follows:

	<b>As at 31 March 2003</b>	<b>As at 30 September 2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0-30 days	<b>18,445</b>	37,272
31-60 days	<b>14,289</b>	11,952
61-90 days	<b>154</b>	52
91-180 days	<b>78</b>	180
Trade receivables	<b>32,966</b>	49,456
Other receivables	<b>146</b>	135
	<b>33,112</b>	49,591

## 9. TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	<b>As at 31 March 2003 HK\$'000</b>	As at 31 March 2002 HK\$'000
0-30 days	9,755	17,603
31-60 days	980	1,446
61-90 days	964	960
91-180 days	2,940	2,051
	<hr/>	<hr/>
Trade payables	14,639	22,060
Other payables	14,426	11,917
	<hr/>	<hr/>
	<b>29,065</b>	<b>33,977</b>
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## 10. SHARE CAPITAL

	<b>As at 31 March 2003 HK\$'000</b>	As at 30 September 2002 HK\$'000
<b>Authorised:</b>		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
	<hr/>	<hr/>
<b>Issued and fully paid:</b>		
400,000,000 ordinary shares of HK\$0.10 each	<b>40,000</b>	40,000
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## 11. RESERVES

### Group

	Share premium HK\$'000	Assets revaluation reserve HK\$'000	Merger reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 2001	-	-	-	187	18,932	19,119
Premium arising from issue of new shares	24,000	-	-	-	-	24,000
Shares issue expenses	(5,590)	-	-	-	-	(5,590)
Capitalisation issue of shares	(18,410)	-	-	-	(15,390)	(33,800)
Revaluation surplus on land and buildings	-	1,507	-	-	-	1,507
Reserve arising on acquisition of additional interest in a subsidiary	-	-	-	12	128	140
Merger reserve arising upon the group reorganisation	-	-	8,390	-	-	8,390
Reserve applied in payment of 1,000,000 ordinary shares allotted nil paid on incorporation	-	-	-	-	(100)	(100)
Profit attributable to shareholders	-	-	-	-	34,334	34,334
Appropriations	-	-	-	93	(93)	-
Dividends	-	-	-	-	(16,522)	(16,522)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>(100)</u>
At 30 September 2002	-	1,507	8,390	292	21,289	31,478
Profit attributable to shareholders	-	-	-	-	5,169	5,169
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,169</u>	<u>5,169</u>
At 31 March 2003	<u>-</u>	<u>1,507</u>	<u>8,390</u>	<u>292</u>	<u>26,458</u>	<u>36,647</u>

## FINANCIAL RESULTS

During the period under review, the Group recorded a turnover of approximately HK\$177.8 million, representing a decrease of approximately 15% as compared to the previous period. The Group's profit attributable to shareholders amounted to approximately HK\$5.2 million, representing approximately 72% decrease over the corresponding period of the previous year.

Sales to European market decreased by approximately 10% and constituted approximately 81% of the Group's total turnover. The US market accounted for approximately 7% of the Group's total turnover, representing about 24% decrease as compared with the previous period. Sales to the PRC market represented approximately 4% of the Group's total turnover while the remaining 8% of sales was shared between Asia, Australia and South America.

The overall business climate remained difficult during the financial period under review. The reduction in turnover within the European and the US market was mainly attributable to the aggressive promotions by competitors, the overall weakness in the US retail climate and the broke out of war in Iraq.

Gross profit to the Group dropped from about 12% to 9% as a result of the keen competition within the industry that pressurized on the prices of products.

Selling and distribution costs of the Group increased by approximately 341% as a result of recruitment of new staff for marketing and promotion of the Group's products and strengthening the Group's capability of product design and developing new products.

## **OUTLOOK**

Looking ahead towards the coming year, the global economic atmosphere will remain highly competitive and challenging. The effect from the outbreak of severe acute respiratory syndrome cannot be ignored since travel plans to and from the PRC were suspended, which slow down the product development and merchandising process. The European market will continue to constitute a high portion in the Group's total turnover. The Group will continue to broaden the client base by introducing its products to the existing and potential customers, providing high quality and wide range of products to secure orders from customers.

The Group will put in resources for the expansion of the production capacity of the Group by constructing new factory premises adjacent to its existing production facilities and acquiring additional machinery and equipment for production. With the increase in production capacity, the Group will further strengthen its ability to meet the growing demand for its products.

In light of the impact of the sluggish global economy, the Group will be very cautious in allocating its resources in order to strive for its commitment to efficient production and maintaining a consistently high level of product quality to satisfy the needs from customers in every aspect. The Group may diversify its investment to other potential industries with favourable investment return and good prospect.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2003, the Group had cash and bank balances of approximately HK\$56.8 million (September 2002: HK\$44.9 million) and total borrowings of approximately HK\$3.4 million (September 2002: HK\$3.1 million) that are repayable within one year.

The gearing ratio of the Group as at 31 March 2003 was 0.04 (September 2002: 0.04) which was calculated based on the Group's total borrowings of approximately HK\$3.4 million (September 2002: HK\$3.1 million) and the shareholders' funds of approximately HK\$76.6 million (September 2002: HK\$75.5 million).

As at 31 March 2003, the Group's net current assets and current ratio were approximately HK\$60.5 million (September 2002: HK\$59.0 million) and 2.1 (September 2002: 2.0) respectively.

The cash and bank balances together with available banking facilities are considered sufficient to provide adequate liquidity and capital resources for the Group's ongoing operating requirements.

## **TREASURY POLICY**

The Group generally finances its operations with internally generated cash flows and short-term loans. As at 31 March 2003, all of the Group's short-term loans of approximately HK\$3.4 million (September 2002: HK\$3.1 million) were interest bearing at fixed rates and were denominated in Renminbi. The directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditure.

## **FOREIGN EXCHANGE EXPOSURE**

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were relatively stable during the year under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

## **APPLICATION OF PROCEEDS OF NEW ISSUE**

The Group raised approximately HK\$24 million net of related expenses from the issue of 60 million new shares in connection with the listing of the Company's shares on the Stock Exchange on 3 July 2002. The proceeds were applied as follows:

- approximately HK\$3.0 million for marketing and promotion of the Group's products; and
- approximately HK\$1.3 million for strengthening the Group's product design and development capability and development of new products.

The balance of the proceeds of about HK\$19.7 million has been placed on short-term interest-bearing deposits with banks.

## **PRE-EMPTIVE RIGHTS**

There are no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

The Company did not redeem any of its shares during the period and neither the Company nor any of its subsidiaries purchased or sold any of the Company's share during the period.

## **SHARE OPTION SCHEME**

The Company operates a share option scheme (the "Scheme") which was adopted on 12 June 2002. During the period, no share option was granted or exercised under the Scheme.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2003, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Name of director	Number of ordinary shares in the Company beneficially held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr Lee Man Fa	–	–	300,000,000 <i>(Note)</i>	–

*Note:* These shares, represent a 75% equity interest in the Company as at 31 March 2003, were held by Info Fortune Holdings Limited, a company whose entire issued share capital is beneficially owned by Mr Lee Man Fa.

Save as disclosed above, as at 31 March 2003, none of the directors or their associates had any personal, family, corporate or other interests in the ordinary shares of the Company of any of its associated corporations, as defined in the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following party had interests in 10% or more of the share capital of the Company as recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance.

### Number of ordinary shares held

Info Fortune Holdings Limited	300,000,000
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Save as disclosed above, no person, other than directors of the Company, whose interests are set out in the section "Directors' interests in share capital" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the listing rules throughout the six months ended 31 March 2003, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

### **AUDIT COMMITTEE**

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the unaudited interim accounts for the period. The Committee comprises two independent non-executive directors, namely Mr Kan Siu Lun and Mr Chan Kin Kee.

On behalf of the Board  
**Lee Man Fa**  
*Chairman*

Hong Kong, 23 June 2003