

## 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 ("HKSA") 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 12 (Revised) Income Taxes issued by the HKSA.

The changes to the Group's accounting policy and the effect of adopting this new policy is as follows:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy and has been applied retrospectively, so that the comparatives presented have been restated to conform to the changed policy. As shown in the Condensed Consolidated Balance Sheet, this change has resulted in an increase in deferred tax liabilities and a reduction in reserves at 31st December, 2002.

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 2002.

## 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:

#### 2003

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
<b>Revenue</b>					
Turnover	<u>42,031</u>	<u>11,977</u>	<u>4,273</u>	<u>2,124</u>	<u>60,405</u>
<b>Results</b>					
Segment results	<u>4,612</u>	<u>1,314</u>	<u>469</u>	<u>233</u>	6,628
Other operating income					216
Unallocated corporate expenses					<u>(2,633)</u>
Profit from operations					4,211
Interest on bank borrowings wholly repayable within five years					(415)
Share of results of associates					12
Amortisation of goodwill of an associate					(68)
Share of results of a jointly controlled entity					<u>173</u>
Profit before taxation					3,913
Taxation					<u>(96)</u>
Net profit attributable to shareholders					<u><u>3,817</u></u>

## 2. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

### 2002

	North America <i>US\$'000</i>	Asia <i>US\$'000</i>	Europe <i>US\$'000</i>	Others <i>US\$'000</i>	Consolidated <i>US\$'000</i>
<b>Revenue</b>					
Turnover	<u>32,578</u>	<u>9,721</u>	<u>5,899</u>	<u>2,670</u>	<u>50,868</u>
<b>Results</b>					
Segment results	<u>3,681</u>	<u>1,098</u>	<u>667</u>	<u>302</u>	5,748
Other operating income					537
Unallocated corporate expenses					<u>(2,439)</u>
Profit from operations					3,846
Interest on bank borrowings wholly repayable within five years					(462)
Share of results of an associate					(45)
Share of results of a jointly controlled entity					<u>(96)</u>
Profit before taxation					3,243
Taxation					<u>(71)</u>
Net profit attributable to shareholders					<u>3,172</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,	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' emoluments	598	512
Other staff costs	11,680	9,334
Retirement benefits contribution	686	580
Total staff costs	12,964	10,426
Auditors' remuneration	49	43
Depreciation and amortisation of property, plant and equipment	5,407	5,449
and after crediting:		
Interest income	73	83

### 4. TAXATION

	Six months ended 30th June,	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	1	1
Taxation in other jurisdictions		
– People's Republic of China (the "PRC")	91	63
– Republic of China ("Taiwan")	4	7
	96	71

Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) of the estimated assessable profits for the period.

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

## 5. DIVIDENDS

	Six months ended 30th June,	
	2003	2002
	US\$'000	US\$'000
Interim dividend of 1 Hong Kong cent per ordinary share (2002: 1 Hong Kong cent per ordinary share)	<b>943</b>	931

## 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,	
	2003	2002
	US\$'000	US\$'000
<b>Earnings</b>		
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	<b>3,817</b>	3,172
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>727,841,370</b>	721,300,000
Effect of dilutive potential ordinary shares:		
– Share options	–	3,785,185
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>727,841,370</b>	725,085,185

## 7. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$650,000 (six months ended 30th June, 2002: US\$985,000) 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:

	<b>30th June, 2003 US\$'000</b>	31st December, 2002 US\$'000
0-30 days	<b>9,569</b>	8,009
31-60 days	<b>615</b>	8
>60 days	<b>846</b>	2,071
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Total trade receivables	<b>11,030</b>	10,088
Other receivables	<b>4,170</b>	3,185
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	<b>15,200</b>	13,273
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## 9. TRADE AND OTHER PAYABLES

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

	<b>30th June, 2003 US\$'000</b>	31st December, 2002 US\$'000
0-30 days	<b>5,489</b>	5,736
31-60 days	<b>1,760</b>	1,456
>60 days	<b>5,737</b>	6,623
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Total trade payables	<b>12,986</b>	13,815
Other payables	<b>6,746</b>	8,646
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	<b>19,732</b>	22,461
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## 10. SHARE CAPITAL

	Number of shares	Amount US\$'000
<b>Authorised</b>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2002, 31st December, 2002 and 30th June, 2003	<u>1,500,000,000</u>	19,355
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1st January, 2002, 31st December, 2002 and 30th June, 2003	<u>150</u>	<u>15,000</u>
		<u>34,355</u>
<b>Issued and fully paid</b>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2002 and 2003	721,300,000	9,307
Exercise of share options	<u>9,400,000</u>	<u>121</u>
At 30th June, 2003	<u>730,700,000</u>	<u>9,428</u>

## 11. CONTINGENCIES AND COMMITMENTS

	30th June, 2003 US\$'000	31st December, 2002 US\$'000
Bills discounted with recourse	<u>2,478</u>	<u>–</u>
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment	<u>101</u>	<u>117</u>