

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. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December 2003.

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:

2004

	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>
Revenue					
Turnover					
External sales	<u>50,674</u>	<u>13,269</u>	<u>4,698</u>	<u>2,308</u>	<u>70,949</u>
Results					
Segment results	<u>4,521</u>	<u>1,184</u>	<u>419</u>	<u>206</u>	6,330
Other operating income					740
Unallocated corporate expenses					<u>(2,769)</u>
Profit from operations					4,301
Interest on bank borrowings wholly repayable within five years					(293)
Share of results of associates					335
Impairment loss recognised in investment security					(1,164)
Share of results of jointly controlled entities					<u>91</u>
Profit before taxation					3,270
Taxation					<u>(191)</u>
Net profit attributable to shareholders					<u><u>3,079</u></u>

2. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

2003

	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>
Revenue					
Turnover					
External sales	<u>42,031</u>	<u>11,977</u>	<u>4,273</u>	<u>2,124</u>	<u>60,405</u>
Results					
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 jointly controlled entities					<u>173</u>
Profit before taxation					3,913
Taxation					<u>(96)</u>
Net profit attributable to shareholders					<u><u>3,817</u></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,	
	2004	2003
	US\$'000	US\$'000
Profit from operations has been arrived at after charging:		
Directors' emoluments	521	598
Other staff costs	13,847	11,680
Retirement benefits scheme contributions	1,115	686
Total staff costs	15,483	12,964
Auditors' remuneration	47	49
Depreciation and amortisation of property, plant and equipment	4,404	5,407
and after crediting:		
Interest income	36	73

4. TAXATION

	Six months ended 30th June,	
	2004	2003
	US\$'000	US\$'000
The charge comprises:		
Hong Kong Profits Tax	5	1
Taxation in other jurisdictions		
– People's Republic of China (the "PRC")	182	91
– Republic of China ("Taiwan")	4	4
	191	96

Hong Kong Profits Tax is calculated at 17.5% 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,	
	2004	2003
	US\$'000	US\$'000
Interim dividend of 1 Hong Kong cent per ordinary share (2003: 1 Hong Kong cent per ordinary share)	<u>943</u>	<u>943</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,	
	2004	2003
	US\$'000	US\$'000
Earnings		
Net profit attributable to shareholders for the purpose of basic earnings per share	<u>3,079</u>	<u>3,817</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>730,700,000</u>	<u>727,841,370</u>

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding for both periods.

7. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$1,446,000 (six months ended 30th June, 2003: US\$650,000) on additions to property, plant and equipment.

8. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 60 days to its trade customers.

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

	30th June, 2004 US\$'000	31st December, 2003 US\$'000
0-30 days	13,276	9,910
31-60 days	279	196
>60 days	1,173	1,000
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Total trade receivables	14,728	11,106
Other receivables	3,175	4,460
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	17,903	15,566
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9. TRADE AND OTHER PAYABLES

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

	30th June, 2004 US\$'000	31st December, 2003 US\$'000
0-30 days	2,355	2,813
31-60 days	1,597	2,816
>60 days	1,853	4,304
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Total trade payables	5,805	9,933
Other payables	8,715	7,802
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	14,520	17,735
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10. SHARE CAPITAL

	Number of shares	Amount US\$'000
Authorised		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2003, 31st December, 2003 and 30th June, 2004	<u>1,500,000,000</u>	19,355
 <i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1st January, 2003, 31st December, 2003 and 30th June, 2004	<u>150</u>	<u>15,000</u>
		<u>34,355</u>
 Issued and fully paid		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2003	721,300,000	9,307
Shares issued on exercise of share options	<u>9,400,000</u>	<u>121</u>
 At 30th June, 2003, 31st December, 2003 and 30th June, 2004	 <u>730,700,000</u>	 <u>9,428</u>

11. CONTINGENCIES AND COMMITMENTS

	30th June, 2004 US\$'000	31st December, 2003 US\$'000
Bills discounted with recourse	<u>168</u>	<u>196</u>
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment	<u>–</u>	<u>14</u>