

## NOTES TO THE INTERIM ACCOUNTS

### 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim accounts (“Interim Accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Accounts should be read in conjunction with the annual report of the Company for the year ended 31st March 2004.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31st March 2004.

Certain comparative figures have been reclassified to conform with current period’s presentation.

### 2. Turnover, revenues and segment information

The Group is principally engaged in the manufacture of athletic and sports leisure footwear products. Turnover represents gross invoiced sales of sports footwear net of returns and discounts. Revenue recognised during the period are as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2004</b>	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Turnover		
Sales of goods	54,714	64,601
Other revenues		
Bank interest income	57	19
Rental income	231	251
Net gain on disposal of fixed assets	–	25
Subcontracting income	41	8
Others	327	373
	<u>656</u>	<u>676</u>
Total revenues	<u>55,370</u>	<u>65,277</u>

## 2. Turnover, revenues and segment information (Continued)

The Group is currently marketed to five major geographical segments based on the location of customers. An analysis of the Group's revenue and results for the period by geographical segment based on the country in which the customer is located is as follows:

	<b>Unaudited</b>			
	<b>Six months ended 30th September</b>			
	<b>2004</b>	<b>2004</b>	2003	2003
	<b>Turnover</b>	<b>Segment Result</b>	Turnover	Segment Result
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
North America	<b>33,089</b>	<b>1,343</b>	46,896	2,947
Europe	<b>7,092</b>	<b>288</b>	7,400	465
Asia (other than Mainland China and Hong Kong)	<b>4,406</b>	<b>179</b>	1,859	117
Mainland China	<b>7,316</b>	<b>297</b>	6,891	433
Hong Kong	<b>645</b>	<b>26</b>	377	24
Others	<b>2,166</b>	<b>87</b>	1,178	73
		<b>2,220</b>		4,059
Unallocated costs		<b>(213)</b>		(439)
Operating profit before finance cost		<b>2,007</b>		3,620
Finance cost		<b>(1)</b>		(2)
Profit before taxation		<b>2,006</b>		3,618
Taxation		<b>-</b>		-
Profit attributable to shareholders		<b>2,006</b>		3,618
Total	<b>54,714</b>		<b>64,601</b>	

No analysis of segment information by business segment is presented as the Group has been engaged in the manufacturing and sale of footwear products only.



### 3. Operating profit before finance cost

Operating profit before finance cost is arrived at after charging/(crediting) the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2004</b>	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Staff costs	<b>8,874</b>	9,289
Depreciation	<b>1,165</b>	1,060
Operating lease rentals for land and buildings	<b>279</b>	276
Exchange loss, net	<b>32</b>	14
Interest income	<b>(57)</b>	(19)
Rental income	<b>(231)</b>	(251)
	<b><u>          </u></b>	<b><u>          </u></b>

### 4. Taxation

No provision for Hong Kong profits tax and overseas taxation has been made in the accounts as the Group has no assessable profits for the period (2003: Nil).

### 5. Dividend

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2004</b>	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Interim, proposed of HK\$0.01 (2003: HK\$0.01) per ordinary share ( <i>Note</i> )	<b>437</b>	437
	<b><u>          </u></b>	<b><u>          </u></b>

*Note:*

At a board meeting held on 17th December 2004, the directors declared an interim dividend of HK\$0.01 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2005.

## 6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of US\$2,006,000 (2003: US\$3,618,000) and the total number of 340,616,934 (2003: 340,616,934) shares in issue during the period.

No fully dilutive earnings per share is shown as the Company has no potential dilutive ordinary shares as at 30th September 2004 and 2003.

## 7. Fixed Assets

	<b>Unaudited</b> <b>30th September 2004</b> <i>US\$'000</i>	Audited 31st March 2004 <i>US\$'000</i>
Opening net book value	<b>11,734</b>	11,760
Additions	<b>605</b>	2,249
Depreciation	<b>(1,165)</b>	(2,268)
Disposals	<b>-</b>	(7)
	<b><u>11,174</u></b>	<u>11,734</u>
Closing net book value	<b><u>11,174</u></b>	<u>11,734</u>

## 8. Accounts receivable and deposits

	<b>Unaudited</b> <b>30th September 2004</b> <i>US\$'000</i>	Audited 31st March 2004 <i>US\$'000</i>
Accounts receivable ( <i>Note</i> )	<b>13,821</b>	14,186
Prepayments and deposits	<b>625</b>	641
	<b><u>14,446</u></b>	<u>14,827</u>



**8. Accounts receivable and deposits (Continued)**

*Note:*

The Group allows an average credit period of 30 to 60 days to its trade customers and the ageing analysis of accounts receivable (net of provisions for bad and doubtful debts) is as follows:

	<b>Unaudited</b> <b>30th September 2004</b> <i>US\$'000</i>	Audited 31st March 2004 <i>US\$'000</i>
Current to 30 days	<b>10,583</b>	9,203
31-60 days	<b>2,676</b>	4,657
61-90 days	<b>309</b>	234
Over 90 days	<b>253</b>	92
	<b><u>13,821</u></b>	<b><u>14,186</u></b>

**9. Accounts payable and accruals**

	<b>Unaudited</b> <b>30th September 2004</b> <i>US\$'000</i>	Audited 31st March 2004 <i>US\$'000</i>
Accounts payable ( <i>Note</i> )	<b>11,457</b>	10,014
Accruals	<b>6,381</b>	5,937
	<b><u>17,838</u></b>	<b><u>15,951</u></b>

*Note:*

The ageing analysis of accounts payable is as follows:

	<b>Unaudited</b> <b>30th September 2004</b> <i>US\$'000</i>	Audited 31st March 2004 <i>US\$'000</i>
Current to 30 days	<b>6,079</b>	4,340
31-60 days	<b>3,595</b>	3,455
61-90 days	<b>1,171</b>	998
Over 90 days	<b>612</b>	1,221
	<b><u>11,457</u></b>	<b><u>10,014</u></b>

**10. Share Capital**

	<b>Par value of shares <i>HK\$</i></b>	<b>Number of ordinary shares</b>	<b>Value <i>US\$'000</i></b>
Authorised:			
At 1st April 2004 and 30th September 2004	0.01 each	<u>36,000,000,000</u>	<u>46,452</u>
Issued and fully paid:			
At 1st April 2004 and 30th September 2004	0.01 each	<u>340,616,934</u>	<u>440</u>

**11. Contingent Liabilities**

	<b>Company Unaudited 30th September 2004 <i>US\$'000</i></b>	<b>Audited 31st March 2004 <i>US\$'000</i></b>
Guarantees executed in favour of banks to secure banking and loan facilities granted to subsidiaries	<u>1,007</u>	<u>1,434</u>

The Group did not have any contingent liabilities as at 30th September 2004 and 31st March 2004.

**12. Commitments under operating leases**

(a) Capital commitments outstanding at 30th September 2004 were as follows:

	<b>Unaudited 30th September 2004 <i>US\$'000</i></b>	<b>Audited 31st March 2004 <i>US\$'000</i></b>
Contracted but not provided for	<u>17</u>	<u>129</u>



## 12. Commitments under operating leases (Continued)

### (b) Commitments under operating leases

At 31 March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Unaudited</b> <b>30th September</b> <b>2004</b> <i>US\$'000</i>	Audited 31st March 2004 <i>US\$'000</i>
Not later than one year ( <i>Note</i> )	<b>468</b>	464
Later than one year and not later than five years ( <i>Note</i> )	<b>1,768</b>	1,795
Later than five years ( <i>Note</i> )	<b>12,173</b>	12,078
	<b><u>14,409</u></b>	<b><u>14,337</u></b>

*Note:*

Included in the balances were operating lease commitments in respect of rentals for the use of factory premises by the Group pursuant to a non-cancellable operating lease for a lease term of fifty years. These balances, which are stated at the present value of the future aggregate minimum lease payments at the applicable prevailing prime rate of 5% (2003: 5%), are as follows:

	<b>Unaudited</b> <b>30th September</b> <b>2004</b> <i>US\$'000</i>	Audited 31st March 2004 <i>US\$'000</i>
Not later than one year	<b>379</b>	375
Later than one year and not later than five years	<b>1,516</b>	1,499
Later than five years	<b>12,173</b>	12,078
	<b><u>14,068</u></b>	<b><u>13,952</u></b>

- (c) The Company did not have any commitments at 30th September and 31st March 2004.