

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties, which are measured at revalued amounts.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 *Interim Financial Reporting*. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December 2004.

## 2. SEGMENT INFORMATION

### 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:

#### 2005

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
<b>Turnover</b>					
External sales	<u>47,328</u>	<u>12,351</u>	<u>7,983</u>	<u>3,049</u>	<u>70,711</u>
<b>Results</b>					
Segment results	<u>2,592</u>	<u>676</u>	<u>437</u>	<u>167</u>	3,872
Other operating income					495
Unallocated corporate expenses					<u>(2,450)</u>
Profit from operations					1,917
Interest on bank borrowings wholly repayable within five years					(559)
Share of results of associates					46
Share of results of jointly controlled entities					<u>5</u>
Profit before taxation					1,409
Taxation					<u>(197)</u>
Net profit attributable to shareholders					<u>1,212</u>

## 2. SEGMENT INFORMATION (Continued)

### 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>
<b>Turnover</b>					
External sales	<u>50,674</u>	<u>13,269</u>	<u>4,698</u>	<u>2,308</u>	<u>70,949</u>
<b>Results</b>					
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)
Write-off of an investment security					(1,164)
Share of results of associates					335
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>

### Business segments

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,	
	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' emoluments	363	521
Other staff costs	17,176	13,847
Retirement benefits scheme contributions (excluding contributions in respect of directors)	<u>584</u>	<u>1,115</u>
Total staff costs	18,123	15,483
Auditors' remuneration	48	47
Depreciation and amortisation of property, plant and equipment	4,094	4,404
and after crediting:		
Interest income	<u>41</u>	<u>36</u>

### 4. TAXATION

	Six months ended 30th June,	
	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	4	5
Taxation in other jurisdictions		
– People's Republic of China (the "PRC")	190	182
– Republic of China ("Taiwan")	<u>3</u>	<u>4</u>
	<u>197</u>	<u>191</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 5. DIVIDENDS

	Six months ended 30th June,	
	2005	2004
	US\$'000	US\$'000
Interim dividend – Nil (2004: HK 1 cent per ordinary share)	–	943
	<u>          </u>	<u>          </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,	
	2005	2004
	US\$'000	US\$'000
<b>Earnings</b>		
Net profit attributable to shareholders for the purpose of basic earnings per share	<u>1,212</u>	<u>3,079</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>730,700,000</u>	<u>730,700,000</u>

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

## 7. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$2,276,000 (six months ended 30th June, 2004: US\$1,446,000) 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:

	<b>30th June, 2005 <i>US\$'000</i></b>	31st December, 2004 <i>US\$'000</i>
0-30 days	<b>11,019</b>	10,311
31-60 days	<b>994</b>	952
>60 days	<b>1,054</b>	586
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Total trade receivables	<b>13,067</b>	11,849
Other receivables	<b>4,386</b>	3,225
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	<b>17,453</b>	15,074
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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:

	<b>30th June, 2005 <i>US\$'000</i></b>	31st December, 2004 <i>US\$'000</i>
0-30 days	<b>4,553</b>	3,054
31-60 days	<b>1,578</b>	811
>60 days	<b>2,003</b>	283
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Total trade payables	<b>8,134</b>	4,148
Other payables	<b>7,436</b>	7,557
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	<b>15,570</b>	11,705
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## 10. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount US\$'000</b>
<b>Authorised</b>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2004, 31st December, 2004 and 30th June, 2005	<u>1,500,000,000</u>	19,355
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1st January, 2004, 31st December, 2004 and 30th June, 2005	<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, 2004, 31st December, 2004 and 30th June, 2005	<u>730,700,000</u>	<u>9,428</u>

## 11. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	<b>30th June, 2005 US\$'000</b>	31st December, 2004 US\$'000
Bills discounted with recourse	<u>60</u>	<u>107</u>
Capital expenditure in respect of the purchase of property, plant and equipment contracted for but not provided in the financial statements	<u>22</u>	<u>—</u>