

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of 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" issued by the Hong Kong Institute of Certified Public Accountants, under the historical cost convention, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2005.

The accounting policies adopted in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st December 2005.

2. SEGMENT INFORMATION

The Group has only one single business segment which is the manufacture and export of athletic and athletic-style leisure footwear, as well as the manufacture of working shoes, safety shoes, golf shoes and other functional shoes. Accordingly, the commented figures represent the segment information for this sole business segment for the period.

An analysis of the Group's revenue and results for the period by geographical segment is as follows:

	Six months ended 30th June			
	2006	Segment	2005	Segment
	Turnover	results	Turnover	results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
North America	28,770	(4,641)	44,763	2,939
Europe	33,725	(9,557)	79,116	(3,506)
Others	13,803	(6,490)	23,770	4,995
	<u>76,298</u>	<u>(20,688)</u>	<u>147,649</u>	<u>4,428</u>
Other revenue		394		1,396
Other operating (expenses)/income, net		(407)		535
Unallocated expenses		(21,570)		(14,254)
Finance costs		(4)		(52)
Loss before taxation		(42,275)		(7,947)
Taxation		(10,879)		(76)
Loss for the period		<u>(53,154)</u>		<u>(8,023)</u>

Sales are based on the country in which the customer is located. There are no sales between geographical segments.

3. DEPRECIATION

Loss before taxation for the period is arrived at after charging depreciation of approximately HK\$6,063,000 (six months ended 30th June 2005: HK\$6,773,000) in respect of the Group's property, plant and equipment.

4. TAXATION

No Hong Kong and overseas profits tax has been provided as the Group does not have any assessable profits for the period (six months ended 30th June 2005: Nil).

The amount of taxation charged to the consolidated income statement represents deferred taxation relating to the origination and reversal of temporary differences.

5. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of approximately HK\$49,982,000 (six months ended 30th June 2005: HK\$7,850,000) and the weighted average number of ordinary shares of 268,372,612 (six months ended 30th June 2005: 268,372,612) in issue during the period.

Diluted loss per share has not been presented as there are no dilutive potential ordinary shares.

6. TRADE AND BILLS RECEIVABLES

The ageing analysis of trade and bills receivables was as follows:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
0 – 30 days	8,584	30,136
31 – 60 days	1,336	8,901
61 – 90 days	570	1,366
Over 90 days	6,107	1,348
	<u>16,597</u>	<u>41,751</u>

The majority of the Group's turnover is on open account terms with a general credit period of 30 to 90 days.

7. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables was as follows:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
0 – 30 days	11,886	33,797
31 – 60 days	338	3,826
61 – 90 days	526	944
Over 90 days	4,168	3,568
	<u>16,918</u>	<u>42,135</u>