

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. Principal accounting policies

These unaudited consolidated condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practices ("SSAP") 25, Interim financial reporting, issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the 2000/01 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 28 February 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAP issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets

The significant changes in the Group's accounting policies resulting from the adoption of these new and revised policies are set out below:

*(a) SSAP 9 (revised): Events after the balance sheet date*

In accordance with the SSAP 9 (revised), the Group no longer recognizes dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.

This adjustment has resulted in a decrease in current liabilities at 31 August 2001 by HK\$3.82 million (28 February 2001: HK\$8.15 million) for the provision of the proposed dividend that is no longer required.

Changes to headings used in the previously reported 28 February 2001 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) SSAP 26: Segment reporting

In Note 2 to these condensed interim financial statements, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial report, the Group has determined that geographical segments be presented as the sole and primary reporting format. Comparative information has been given.

Certain comparative figures have been reclassified to confirm with the current period's presentation.

## 2. Segmental information

The Group is principally engaged in the retailing, wholesaling and manufacturing of footwear.

An analysis of the Group's turnover and contribution to the operating profit by geographical segments is as follow:

	Unaudited Turnover		Unaudited Operating profit	
	Six months ended		Six months ended	
	31 August		31 August	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal markets:				
Hong Kong and Macau	261,238	228,465	12,339	23,140
The People's Republic of China (the "PRC")	46,552	29,980	870	2,102
	<b>307,790</b>	<b>258,445</b>	<b>13,209</b>	<b>25,242</b>

During the period under review, the sales of footwear through retailing, wholesaling and manufacturing of footwear is the only principal activities of the Group. Accordingly, no business segmental information is shown.

### 3. Operating profit

Unaudited Six months ended 31 August	
2001	2000
HK\$'000	HK\$'000

Operating profit is stated after crediting  
and charging the following:

#### Crediting

Interest income	824	2,430
Rental income	1,540	–
Royalty income	2,261	956
Gain on disposal of property, plant and equipment	–	926

#### Charging

Depreciation of owned property, plant and equipment	8,251	5,530
Loss on disposal of property, plant and equipment	1,474	–
Amortization of goodwill	578	578

### 4. Taxation

Unaudited Six months ended 31 August	
2001	2000
HK\$'000	HK\$'000

Company and subsidiaries		
– Hong Kong profits tax	1,104	2,890
Share of taxation attributable to an associated company	796	280
	<u>1,900</u>	<u>3,170</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%)  
on the estimated assessable profit for the period.

No provision for overseas taxation has been made in the accounts as the  
Group's overseas subsidiaries have no assessable or taxable profits for  
the period calculated in accordance with the tax laws of the countries in  
which they operate.

There is no material unprovided deferred taxation for the period.

## 5. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$18,889,000 (2000: HK\$26,332,000) and the weighted average of 254,530,000 (2000: 251,385,130) ordinary shares in issue during the period.

There is no diluted earnings per share since the company has no dilutive potential ordinary share for the current period.

## 6. Accounts and other receivables

Included in accounts and other receivables are accounts receivables and their aging analysis is as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 August</b>	<b>28 February</b>
	<b>2001</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>15,820</b>	12,659
31 – 60 days	<b>4,713</b>	1,822
61 – 90 days	<b>349</b>	176
Over 90 days	<b>768</b>	1,578
	<b><u>21,650</u></b>	<b><u>16,235</u></b>

Other than cash and credit card sales, the Group normally allows an average credit period of 30 days to its trade customers.

## 7. Accounts payable and accrued charges

Included in accounts payable and accrued charges are accounts payable and their aging analysis is as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 August</b>	<b>28 February</b>
	<b>2001</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>36,363</b>	44,834
31 – 60 days	<b>409</b>	465
61 – 90 days	<b>462</b>	364
Over 90 days	<b>727</b>	158
	<b><u>37,961</u></b>	<b><u>45,821</u></b>

## 8. Long-term liabilities

	Unaudited 31 August 2001 HK\$'000	Audited 28 February 2001 HK\$'000
Bank loans – secured	13,030	15,420
Less: Current portion of long-term liabilities	(4,780)	(4,780)
	<u>8,250</u>	<u>10,640</u>

The Group's bank loans were repayable as follows:

	Unaudited 31 August 2001 HK\$'000	Audited 28 February 2001 HK\$'000
Within one year	4,780	4,780
In the second year	1,500	3,140
In the third to fifth year	4,500	4,500
Exceeding five year	2,250	3,000
	<u>13,030</u>	<u>15,420</u>

## 9. Share capital

	Unaudited Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 1 March 2001 and 31 August 2001	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 March 2001 and 31 August 2001	<u>254,530,000</u>	<u>25,453</u>

## 10. Retained profits

HK\$'000

At 1 March 2000 as previously reported	57,203
Effect of adopting SSAP 9 (revised) ( <i>Note 1(a)</i> )	12,748
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At 1 March 2000 as restated	69,951
1999/2000 final dividend paid	(12,748)
Profit for the year	49,760
Transfer to capital redemption reserve	(63)
2000/2001 interim dividend paid	(7,127)
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At 28 February 2001 as restated	99,773
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Representing:	
Retained profits	91,628
2000/2001 final dividend proposed	8,145
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	99,773
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At 1 March 2001 as previously reported	91,628
Effect of adopting SSAP 9 (revised) ( <i>Note 1(a)</i> )	8,145
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At 1 March 2001 as restated	99,773
2000/2001 final dividend paid	(8,145)
Profit for the period	18,889
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At 31 August 2001	110,517
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Representing:	
Retained profits	106,699
2001/2002 interim dividend proposed	3,818
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	110,517
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## 11. Contingent liabilities

There is no material change in contingent liabilities since the last annual balance sheet date.

## 12. Related party transactions

- (a) Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Unaudited Six months ended 31 August	
		2001	2000
Note		HK\$'000	HK\$'000
Purchases from related companies	(i)	1,777	263
Royalty income received from a related company	(ii)	<u>2,261</u>	<u>956</u>

(i) *Purchases from Lai Wah Footwear Trading Limited ("LWL") and Laikong Footwear (Shenzhen) Company Limited, subsidiaries of Best Quality Investments Limited ("BQL"), an associated company of the Group, were conducted in the normal course of business at prices and terms no less than those charged by and contracted with other third party suppliers of the Group.*

(ii) *Mirabell Footwear Limited and Hornet Agents Limited, subsidiaries of the Company, have entered into two franchise agreements with, Bestfull International Limited ("BIL"), subsidiary of BQL, to grant a sole licence to BIL with expiry date on 30 September 2003.*

- (b) As at 31 August 2001, the Group had contingent liabilities in respect of guarantees issued for banking facilities granted to LWL and Staccato Footwear Limited, subsidiaries of BQL, amounting to HK\$11,100,000 (28 February 2001: HK\$11,100,000). This represents the Group's pro-rated share of the guarantees granted in accordance with its interest in the associated company.