

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS:

1. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and complied with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

Except for the adoption of the SSAP No. 12 (Revised) “Income Taxes” issued by the HKSA which became effective in preparation of the condensed financial statements for the six months ended 31 March 2004, the basis of preparation and accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s audited consolidated financial statements for the financial year ended 30 September 2003.

Adoption of revised SSAP

In the current year, the Company has adopted SSAP No. 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP No. 12 (Revised) is in relation to deferred tax. In the previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP No. 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional arrangements in SSAP No. 12 (Revised), the new accounting policy as detailed below has been applied retrospectively. The adoption of SSAP No. 12 (Revised) has not had any material impact on the prior year’s financial statements and accordingly, no prior year adjustment is required.

Income Tax

Income tax for the year comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liabilities is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. SEGMENT INFORMATION

The analysis of segment revenue and results by geographical segment is based on the countries in which the customers are located. An analysis of the Group's segment revenue and results for the six months ended 31 March 2004 and 2003 by geographical segment is as follows:

	Europe HK\$'000	The People's Republic of China (the "PRC") HK\$'000	United States of America HK\$'000	Others HK\$'000	Total HK\$'000
2004					
Segment revenue:					
Sales to external customers	<u>71,916</u>	<u>13,386</u>	<u>6,540</u>	<u>10,351</u>	<u>102,193</u>
Segment results	<u>(22,191)</u>	<u>(3,663)</u>	<u>(2,018)</u>	<u>(3,194)</u>	<u>(31,066)</u>
Bank interest income					43
Finance costs					(88)
Loss before taxation					(31,111)
Taxation					-
Loss after taxation					(31,111)
Gain on disposal of subsidiaries (Note)					20,534
Loss attributable to shareholders					<u>(10,577)</u>
2003					
Segment revenue:					
Sales to external customers	<u>144,087</u>	<u>7,244</u>	<u>12,385</u>	<u>14,126</u>	<u>177,842</u>
Segment results	<u>5,127</u>	<u>399</u>	<u>441</u>	<u>503</u>	<u>6,470</u>
Bank interest income					147
Finance costs					(67)
Profit before taxation					6,550
Taxation					(1,381)
Profit attributable to shareholders					<u>5,169</u>

Note:

- During the period, the Group had entered into an agreement with an independent third party for the disposal of Vento Group Limited, a subsidiary of the Company, with a gain of approximately HK\$8.7 million.
- During the period, the Group had entered into an agreement with an independent third party for the disposal of Streaks Worldwide Limited, as subsidiary of the Company, with a gain of approximately HK\$11.8 million.

The following table presents revenue, results and certain assets and liabilities information for the Group's business segments for the period ended 31 March 2004 and 2003:

	Information technology services		Leisure and athletic footwear		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:						
Revenue	<u>3,039</u>	<u>—</u>	<u>99,154</u>	<u>177,842</u>	<u>102,193</u>	<u>177,842</u>
Segment results	<u>(195)</u>	<u>—</u>	<u>(30,871)</u>	<u>6,470</u>	<u>(31,066)</u>	<u>6,470</u>
Bank interest income					43	147
Finance costs					<u>(88)</u>	<u>(67)</u>
(Loss)/Profit before taxation					(31,111)	6,550
Taxation					—	(1,381)
Gain on disposal of subsidiaries					<u>20,534</u>	<u>—</u>
(Loss)/Profit attributable to shareholders					<u>(10,577)</u>	<u>5,169</u>
	As at 31 March 2004 HK\$'000	As at 30 September 2003 HK\$'000	As at 31 March 2004 HK\$'000	As at 30 September 2003 HK\$'000	As at 31 March 2004 HK\$'000	As at 30 September 2003 HK\$'000
Segment assets	<u>36,879</u>	<u>8,259</u>	<u>41,251</u>	<u>148,952</u>	<u>78,130</u>	<u>157,211</u>
Segment liabilities	<u>4,973</u>	<u>6,140</u>	<u>11,789</u>	<u>79,126</u>	<u>16,762</u>	<u>85,266</u>

3. DEPRECIATION AND AMORTISATION

Depreciation on property, plant and equipment during the six months ended 31 March 2004 was approximately HK\$719,000 (2003: HK\$848,000).

Amortisation on goodwill during the six months ended 31 March 2004 was HK\$3,288,000 (2003: Nil) which was included in administrative expenses.

4. TAXATION

No Hong Kong profits tax and the PRC income tax has been provided in the financial statements as the Group did not derive any assessable profit or income for the period.

No provision for deferred tax has been made in the financial statements as there are no material temporary differences.

5. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 31 March 2004 (six months ended 31 March 2003: Nil).

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders for the period of HK\$10,577,000 (2003: profit of HK\$5,169,000) and on the weighted average of 412,000,000 (2003: 400,000,000) ordinary shares in issue during the period.

The weighted average number of shares used to calculate the loss per share for the six months ended 31 March 2004 includes the additional 12,000,000 shares issued upon the exercise of share options granted to certain employees of the Group in the period from 30 May 2003 to 23 June 2003.

No diluted loss/earnings per share is presented as there were no potential ordinary shares in issue.

7. PROPERTY, PLANT AND EQUIPMENT

	Group (unaudited) HK\$'000
Cost or valuation	
At 1 October 2003	22,116
Additions	5,587
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At 31 March 2004	27,703
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Accumulated depreciation	
At 1 October 2003	8,010
Charge for the period	719
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At 31 March 2004	8,729
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Net book value	
At 31 March 2004	18,974
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At 30 September 2003	14,106
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8. GOODWILL

	As at 31 March 2004 (unaudited) HK\$'000	As at 30 September 2003 (audited) HK\$'000
Goodwill arising from acquisition of subsidiary	32,882	32,882
Aggregate amortisation	(3,288)	—
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Unamortised goodwill	<u>29,594</u>	<u>32,882</u>

Goodwill is amortised on a straight-line basis over its estimated useful life of five years.

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

The Group's policy is to allow an average credit period of 30 to 60 days to its trade customers in footwear business and of 1 to 2 years to its customers in the information technology ("IT") business.

The ageing analysis of the trade receivables is as follows:

	As at 31 March 2004 (unaudited) HK\$'000	As at 30 September 2003 (audited) HK\$'000
0-30 days	2,368	23,865
31-60 days	8	172
61-90 days	47	60
91-180 days	1,641	60
Over 180 days	2,007	51
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Trade receivables	6,071	24,208
Other receivables and deposits	4,399	13,235
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	<u>10,470</u>	<u>37,443</u>

10. TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	As at 31 March 2004 (unaudited) HK\$'000	As at 30 September 2003 (audited) HK\$'000
0-30 days	388	11,970
31-60 days	5,101	692
61-90 days	–	616
91-180 days	211	1,119
Over 180 days	58	1,017
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Trade payables	5,758	15,414
Other payables	8,038	44,884
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	13,796	60,298
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11. SHARE CAPITAL

	As at 31 March 2004 (unaudited) HK\$'000	As at 30 September 2003 (audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
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Issued and fully paid:		
412,000,000 (2003: 400,000,000) ordinary shares of HK\$0.10 each	41,200	40,000
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