

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated 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 2005.

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:

2006

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
Turnover					
External sales	<u>37,782</u>	<u>10,771</u>	<u>21,747</u>	<u>3,449</u>	<u>73,749</u>
Results					
Segment results	<u>4,634</u>	<u>1,321</u>	<u>2,667</u>	<u>423</u>	9,045
Other income					454
Unallocated corporate expenses					<u>(6,470)</u>
Profit from operations					3,029
Interest on bank borrowings wholly repayable within five years					(683)
Share of results of associates					85
Share of results of jointly controlled entities					<u>58</u>
Profit before taxation					2,489
Taxation					<u>(331)</u>
Profit for the year					<u>2,158</u>

2. SEGMENT INFORMATION (Continued)

2005

	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>
Turnover					
External sales	<u>47,328</u>	<u>12,351</u>	<u>7,983</u>	<u>3,049</u>	<u>70,711</u>
Results					
Segment results	<u>5,332</u>	<u>1,392</u>	<u>899</u>	<u>343</u>	7,966
Other income					495
Unallocated corporate expenses					<u>(6,544)</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>
Profit for the year					<u>1,212</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,	
	2006	2005
	US\$'000	US\$'000
Profit from operations has been arrived at after charging:		
Directors' emoluments	326	363
Other staff costs	16,657	17,176
Retirement benefits scheme contributions (excluding contributions in respect of directors)	809	584
Total staff costs	17,792	18,123
Auditors' remuneration	45	48
Depreciation and amortisation of property, plant and equipment	4,337	4,094
and after crediting:		
Interest income	137	41

4. TAXATION

	Six months ended 30th June,	
	2006	2005
	US\$'000	US\$'000
The charge comprises:		
Hong Kong Profits Tax	4	4
Taxation in other jurisdictions		
– People's Republic of China (the "PRC")	324	190
– Republic of China ("Taiwan")	3	3
	331	197

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,	
	2006	2005
	US\$'000	US\$'000
Interim dividend of 1 Hong Kong cent per ordinary share (2005: Nil)	<u>943</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,	
	2006	2005
	US\$'000	US\$'000
Earnings		
Net profit attributable to shareholders for the purpose of basic earnings per share	<u>2,158</u>	<u>1,212</u>
Number of shares		
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\$1,470,000 (six months ended 30th June, 2006: US\$2,276,000) 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:

	30th June, 2006 US\$'000	31st December, 2005 US\$'000
0-30 days	10,102	10,529
31-60 days	1,394	1,316
>60 days	742	516
	<hr/>	<hr/>
Total trade receivables	12,238	12,361
Other receivables	2,811	1,273
	<hr/>	<hr/>
	15,049	13,634
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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:

	30th June, 2006 US\$'000	31st December, 2005 US\$'000
0-30 days	5,543	3,991
31-60 days	1,666	361
>60 days	583	574
	<hr/>	<hr/>
Total trade payables	7,792	4,926
Other payables	5,598	6,738
	<hr/>	<hr/>
	13,390	11,664
	<hr/> <hr/>	<hr/> <hr/>

10. SHARE CAPITAL

	Number of shares	Amount US\$'000
Authorised		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2005, 31st December, 2005 and 30th June, 2006	<u>1,500,000,000</u>	19,355
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1st January, 2005, 31st December, 2005 and 30th June, 2006	<u>150</u>	<u>15,000</u>
		<u>34,355</u>
Issued and fully paid		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2005, 31st December, 2005 and 30th June, 2006	<u>730,700,000</u>	<u>9,428</u>

11. CAPITAL COMMITMENTS

	30th June, 2006 US\$'000	31st December, 2005 US\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>-</u>	<u>159</u>