Business Review

The Group's business operation is highly dependent on conditions of the global footwear markets. During the period under review, the orders placed by the existing customers surpassed that of the same period for the preceding year. This translated into a 10% increase of the Group's turnover to HK$521 million. Business from the United States, accounting for approximately 60% of the Group's turnover, continued to play a dominant role in the Group's overall sales performance.

As at 30 September 2000, the Group has approximately 130 staff stationed in Hong Kong, Taiwan and the People's Republic of China as well as approximately 10,000 workers in the PRC factories. Total salary costs amount to approximately HK$10,000,000 per month. The Group provides year end bonus, provident fund scheme and training to staff.

Compared with the corresponding period last year, the Group was able to maintain its gross profit margins at almost the same level despite the effect of margin erosion caused by the downward pricing pressure mentioned in the Group's last annual report. Through better asset management, the Group was able to decrease its general and administrative expenses to 7% of sales (HK$36 million) from 8.9% for the same period last year (HK$42 million). This enabled the Group to increase its profitability, which resulted in a better profit margin of 5.4%. Coupled with the increase in the Group's turnover, the operating profit for the period under review doubled to HK$28 million compared with the same period last year. The Group is continuing with its efforts to streamline its operations to improve its performance.

For the same period last year, the Group's earnings were brought down by a provision of HK$62 million made against the remaining investment exposure in the two Indonesian subsidiaries and loss of HK$41.6 million was reported. As stated in the Company's last annual report, there would be no need for further significant provision in the near future and the Group registered a profit attributable to shareholders of HK$27.8 million for the period under review.

Financial and Liquidity Position

As in the past, the Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong.

The Group maintains a healthy financial position derived from its business growth. The net cash balance of HK$91 million was recorded as at 30th September, 2000, an increase of HK$57 million during this six months period. The Group's gearing ratio as at 30 September 2000 was 43% which was calculated based on total liabilities of HK$133 million and shareholder's fund of HK$309 million. The Group’s continued improvement in its liquidity position forms a solid foundation for its future development.

Prospect

The Group achieved favorable results for the first half of this financial year. Currently, the Company is diverting a significant portion of its effort to strengthen its internal control, improve product quality, heighten employees' morale and restore customer confidence. For the years ahead, the Group will focus a significant portion of its effort to strengthen its customer base and will continue improving operation productivity in order to maintain a sustainable long term growth in both financial and operating performance.