

Results and Dividends

The loss attributable to shareholders of the Group and its associate company for the year ended 31st December 2000 is HK\$44,712,000 (1999: profit of HK\$2,640,000). The turnover of the Group for the year ended 31st December 2000 is HK\$354,179,000 (1999: HK\$499,707,000), representing a decrease of approximately 29.12% over the previous year's. The Group recorded an operating loss before taxation and minority interests of HK\$44,919,000 as compared to the operating profit of HK\$6,156,000 in the previous year.

The loss per share for the year ended 31st December 2000 is HK16.7 cents as compared to the earnings per share of HK1.0 cent for the year ended 31st December 1999.

No interim dividend was paid by the Company for the period ended 30th June 2000 (1999: HK\$0.01 per share).

The Board of Directors does not recommend the payment of a final dividend for the year ended 31st December 2000 (1999: nil).

Business Review and Prospect

The core business of the Group is manufacturing and sale of athletic and athletic-style leisure footwear. The major customers are Fila, Reebok, Harbor, Skechers and Sprandi.

Facing the keen competition in footwear manufacturing industry and the rapid change in trend of athletic footwear, the Board adopts the

prudent attitude to continue the adherence to cost control and efficiency strategies. The closure of the Factory II in Dongguang during the year saves a substantial rental cost and hence reduces the operating cost. However, the year 2000 is a hard year for business due to severe competition in the market. Decreasing price diminishes marginal profit and affect the turnover and profit of the Company. The change of the depreciation period of certain fixed assets of the Group significantly increases the operating expenses and directly influences the operating profit as well.

The Group has adhered to prudent financial policies in monitoring and managing its cash resources as well as banking facilities. At the balance sheet date, the Group had available bank and cash balance of HK\$81 million (1999: HK\$70 million), including deposits of HK\$11 million (1999: HK\$Nil) pledged for banking facilities available to the Group of HK\$70 million (1999: HK\$71 million). The banking facilities are also secured by legal charges over certain land and buildings of the Group in Hong Kong and Taiwan with a total net book value of HK\$47 million (1999: HK\$48 million) at the balance sheet date.

Funding of the Group's operation is mainly financed by internal resources. Borrowings from banks to the Group amounted to HK\$8 million (1999: HK\$16 million) as at the balance sheet date, which were denominated in Hong Kong dollar and New Taiwan Dollar and repayable within one year.

The gearing ratio of the Group (Total borrowings to Total shareholders' equity) was only 3.3% (1999: 5.4%). The bank borrowings are being interest bearing at prevailing market rates.

The management is confident that the Group has ample financial resources not only to provide adequate funding for its operational requirements but also put the Group in a favourable position for future expansion.

Looking into the future, The Board will continue to adopt various contingent measures prudently to ensure the Group grows steadily.

Employees

Currently, the Group has 6,024 employees, who are remunerated in line with industry practice. For the year ended 31st December 2000, the total staff costs incurred by the Group was approximately HK\$74 million (1999: HK\$79 million) and there has been no significant change in the Group's remuneration policy.

Purchase, Sales or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Code of Best Practice

The term of office for the non-executive directors of the Company is subject to retirement by rotation and re-election at the annual general



meeting in accordance with the Company's Articles of Association. In the opinion of the Directors, the Company was in compliance with the aim of the Code of Best Practice, as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as disclosed above, the Company has complied with the Code of Best Practice as set out in the Listing Rules throughout the year 2000.

Details of the Financial Information

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be released on The Stock Exchange of Hong Kong Limited's website.

By Order of the Board
Feng Shen Chuan
Chairman

Hong Kong, 11th April 2001