

OVERVIEW

The core business of the Group showed a healthy growth in the first half of 2001, with the aggregate turnover improved significantly. Both sales of footwear products and shoe components were increased over last year same period, especially sales of footwear products increased by 17.9%.

Despite the downturn of the U.S. economy, the Group successfully obtained more orders from its major OEM customers in the first half of 2001. By providing high quality manufacturing standards, sales to the U.S. has raised approximately 19.2% when comparing with last year same period, from approximately HK\$330.2 million to approximately HK\$393.7 million. Same as other manufacturers, the Group also shared the pricing pressure from its overseas OEM customers. The percentage of contribution of profit to sales of the U.S. market has hence dropped approximately 32.8% when comparing with the corresponding period of last year. By utilizing the existing production capacity effectively, the Group was able to improve better margin for orders that were not originally anticipated. As profit margin for orders from the U.S. were very slim and they comprised 66% of the total turnover in this period, the decrease in contribution has lowered the profit from operations to approximately HK\$24.1 million.

The Group experienced remarkable growth in the PRC as domestic turnover has gone up 13.7% to approximately HK\$179.3 million this period from approximately HK\$157.7 million same period last year. This success was largely attributed by the continue build up of the sales network by the Group in the PRC. The number of the Group's selling points has increased by more than 43 throughout the PRC in the past six months ended 30th June, 2001. The percentage of contribution of profit to sales of the PRC market has raised from 4.4% of the corresponding period of previous year to 5.6% this period by 27.3% when comparing with the corresponding period of last year.