

Results and Dividends

The profit attributable to shareholders of the Group for the year ended 31st December 2001 is HK\$16,619,000 (2000: loss of HK\$44,712,000). The turnover of the Group for the year ended 31st December 2001 is HK\$421,178,000 (2000: HK\$354,179,000), representing an increase of approximately 18.92% over the previous year's. The Group recorded an operating profit before taxation and minority interests of HK\$19,890,000 in this year as compared to loss of HK\$44,919,000 in last year.

The earnings per share for the year ended 31st December 2001 is 6.2 HK cents as compared to the loss per share of 16.7 HK cents for the year ended 31st December 2000.

The directors recommended a final dividend of 2 HK cents per ordinary share (2000: nil) payable to shareholders on the Register of Members on 29th May 2002. Taking into account the interim dividend of 3 HK cents (2000: nil) per ordinary share paid by the Company, the total dividend per share for the year will be 5 HK cents. The Register of Members will be closed from 24th May 2002 to 29th May 2002, both days inclusive, during which period no share transfer will be effected. To qualify for the final dividend, transfers to be dealt with must be lodged at the Company's Share Registrar, Abacus Share Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong before 4:00 p.m. on 23rd May 2002.

Business Review and Prospect

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

The year 2001 is a challenging year for the Group. Despite the worldwide stagnant economic situation and the adverse impact of the 911 incident in the USA, the Group managed to achieve a steady growth, which was due to the effectiveness of cost control.

The Group devotes itself to the exploration of the Mainland China market through study and research and anticipates that after the PRC's accession to World Trade Organisation, the laws and regulations of the PRC will reach the world's standards in the foreseeable future. Tax rate and other relevant charges are expected to be reduced. The huge potential market of Mainland China will create more business opportunities for the Group and will be beneficial to its development in the mainland market. For this purpose, the Group has set up a new company in China, and is seeking business opportunity in Mainland China, which will hopefully bring steady development to the Group.

There is increasing evidence to suggest that the economy of the USA is recovering, which will bring about an upturn in the world economy. The Group has ample cash resources and will prudently seek long term investment with great return. However, the rising unemployment rate and the decreasing consumption demand will continue to exert a pressure on the operation of the Group. Though it is forecasted that the economy of the USA is gradually recovering, the improvement of the economic environment of Hong Kong still depends on the pace of the recovery of the USA. However, the Group will continuously adhere to its prudent and optimistic attitude towards the long term development of the worldwide economy. The stable and healthy financial situation enables the Group to cope with the future difficulties and challenges. The Group will continue to seek opportunities for business development in a prudent manner.

Liquidity and financial resources

The Group has adhered to prudent financial policies in monitoring and managing its cash resources as well as banking facilities. At 31st December 2001, the Group had available bank and cash balance of HK\$53 million (2000: HK\$81 million), including deposits of HK\$18 million (2000: HK\$11 million) pledged for banking facilities available to the Group of HK\$54 million (2000: HK\$70 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 (2000: HK\$47 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\$3 million (2000: HK\$8 million) as at the balance sheet date, which was denominated in Hong Kong dollar and repayable within one year. The gearing ratio of the Group (Total borrowings to Total shareholders' equity) was only 1.1% (2000: 3.3%). The bank borrowings are interest bearing at prevailing market rates.

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

Exposure on Foreign Currency Fluctuation

At 31st December 2001, the Group's bank borrowings were denominated in Hong Kong dollars. The Group's sales and purchases are mainly denominated either in New Taiwan dollars, Hong Kong dollars or US dollars. Accordingly, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates of New Taiwan dollars, Hong Kong dollars and US dollars.

Employees

Currently, the Group has 4,800 employees, who are remunerated in line with industry practice. For the year ended 31st December 2001, the total staff costs incurred by the Group was approximately HK\$85 million (2000: HK\$76 million) and there has been no significant change in the Group's remuneration policy.

Other Disclosure

Apart from the above, other areas, which are required to be discussed under the requirements of paragraph 32 of Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, are considered not significant to the Group's operations and hence no additional disclosure has been made.

Feng Shen Chuan

Chairman

Hong Kong, 12th April 2002