

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Secaicho Corporation, the Group's investment in Japan, in short supply of short-term capital turnover, has filed an application to Osaka Court for corporate reorganisation on 30th July, 2003. According to the application for reorganisation, the Corporation's assets is under protection and negotiations with creditor banks for debt-alleviation and interests reduction will take place. Secaicho keeps purchasing shoes from the Group and is operating normally. On the other hand, the Group keeps delivering shoes against receipt of L/C as usual. There is no issue of trade receivables between the Group and Secaicho.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2003, the Group's total assets was US\$161,408,000, current liabilities was US\$41,586,000, long term liabilities was US\$12,996,000 and shareholders' funds was US\$106,825,000. The current ratio was approximately 1.65 times and the ratio of net bank borrowings to shareholders' fund was 13%. The Group services its debts primarily through cashflow generated from its operation. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.