

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group achieved a turnover of US\$129,552,000 for the year ended 31st December 2003. Compared to 2002, the turnover increased by US\$14,147,000 or 12%.

The Group's net profit attributable to shareholders decreased from US\$5,492,000 to US\$4,217,000, representing a decrease of 23%. Meanwhile, net profit margin decreased from 4.76% in 2002 to 3.26% in 2003. This is mainly due to a provision of impairment loss of approximately US\$2,493,000 for a long-term investment in Japan.

The basic earnings per share decreased from 0.76 US cent to 0.58 US cent. Net assets of the Group remained unchanged, i.e. 15 US cent per share.

The operating cash flow for the Group remains healthy. It states at US\$16,965,000 in 2003 as compared to US\$17,333,000 in 2002.

Share of associates (manufacture of footwear components) and share of jointly controlled entities (leather tannery) also give rise to an increased contribution to the Group. In 2003, the Group has shared US\$191,000 and US\$136,000 contribution from them respectively.

The Board proposes a final dividend of Hong Kong 1.5 cent per ordinary share for the year ended 31st December, 2003. Subject to approval at the forthcoming annual general meeting by the shareholders, the final dividend will be paid to shareholders whose names appear on the Register of Members on 27th May, 2004. Together with an interim dividend of Hong Kong 1 cent per ordinary share, the total dividend for the year will be Hong Kong 2.5 cents



per ordinary share. Dividend warrants, when approved, will be sent to the shareholders on or before 4th June, 2004.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business needs with internal cash flows. Total assets as at 31st December, 2003 amounted to US\$161,701,000, 1% or US\$1,163,000 lower than 2002. Meanwhile, shareholders' funds increased by 3% or US\$3,131,000 to US\$106,343,000. The ratio of net bank borrowings to shareholders' funds remained at a healthy level of approximately 16%. As at 31st December, 2003, the Group had a very robust liquidity position as revealed by a current ratio of 2.01 times. There is no charge on the fixed assets of the Group.

CAPITAL EXPENDITURE

During the year, the Group invested US\$2,102,000 in fixed assets, of which 72% was used for the purchases of additional plant and machinery.

