

RESULTS AND DIVIDENDS

The loss attributable to shareholders of the Group for the year ended 31st December 2003 is HK\$22,589,000 (2002: profit of HK\$6,603,000, as restated after adjustment for the adoption of SSAP12 (revised)). The turnover of the Group for the year ended 31st December 2003 is HK\$420,939,000 (2002: HK\$325,764,000), representing an increase of approximately 29% over the previous year. The Group recorded a loss before taxation of HK\$24,351,000 (2002: the loss before taxation was HK\$1,252,000) for the year.

The basic loss per share for the year ended 31st December 2003 is HK8.4 cents (2002: the basic earnings per share was HK2.5 cents).

The directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2003 (2002: HK2 cents per share).

BUSINESS REVIEW AND PROSPECTS

The core business of the Group is the manufacture and export of athletic and athletic-style leisure footwear. During the year, the major customers are Fila, Reebok, Rockport and Sole Technology, etc.

In 2003, the operating environment remained to be tough for the Group. Firstly, as the Group is principally engaged in the manufacture and export business, its business was impacted by the war in Iraq during the year. Besides, the extensive outbreak of SARS in the world also adversely affected the normal production and operation of the Group. Despite the adversities last year, with the concerted effort of the staff members of the Group in overcoming obstacles and leveraged on the established customer bases and the enhanced production capacity, the loss of the Group was minimized.

Looking forward, given the continual improvement of the economy and the market environment, the Group remains optimistic but prudent on its performance in Hong Kong in 2004. The Group will continue to leverage on the edge of its stable financial position to capitalize on tremendous investment opportunities which will bring the Group with considerable returns with a view to ameliorating the value of its resources. Nevertheless, the Group will maintain a risk management policy and keep abreast of the changes of the global economic and political situation so as to alleviate the adverse effects of such changes to the Group's business development.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has adhered to stringent and prudent financial policies in monitoring and managing its cash resources as well as banking facilities. As at 31st December 2003, the Group had available bank and cash balances of approximately HK\$58,000,000 (2002: HK\$71,000,000). There is no deposit (2002: HK\$16,000,000) pledged for banking facilities available to the Group of HK\$35,000,000 (2002: HK\$35,000,000). 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 approximately HK\$47,000,000 (2002: HK\$46,000,000) as at 31st December 2003.

Funding of the Group's operations is mainly financed by internal resources. Borrowings from banks to the Group amounted to HK\$6,000,000 (2002: HK\$12,000,000) as at 31st December 2003, which were denominated in Hong Kong dollars and New Taiwan dollars, and were repayable within one year. The gearing ratio of the Group (total borrowings to the total shareholder's equity) was only 2.6% (2002: 4.7%). The bank borrowings are being interest bearing at prevailing market rates.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(continued)*

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 favorable position for future expansion.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As at 31st December 2003, borrowings of the Group were denominated in Hong Kong dollars and New Taiwan dollars, whilst purchases and sales of the Group were mainly denominated in Hong Kong dollars, New Taiwan dollars or US dollars. In view of the stability of the exchange rates of Hong Kong dollars, New Taiwan dollars and US dollars, the directors consider that the Group has no significant exposure to foreign exchange fluctuation.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2003, the Group had a total of approximately 40 employees in its Hong Kong and Taiwan offices and approximately 5,000 workers in its processing bases in Mainland China. In addition to the competitive remuneration packages offered to employees, discretionary bonus may also be granted to eligible employees based on the performance of the Group and individual employees. In addition, the Group offers employee share options to employees according to individual merits. However, no share option was granted during the year or outstanding as at the balance sheet date.

Feng Shen Chuan

Chairman

Hong Kong, 23rd April 2004