

## INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 1 Hong Kong cent per ordinary share for the six months ended 30th June, 2004 to shareholders whose names appear on the register of members on 21st October, 2004. The dividend warrants will be sent to shareholders on or before 29th October, 2004.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19th October, 2004 to Thursday, 21st October, 2004, both days inclusive, during which no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrars, Secretaries Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18th October, 2004.

## BUSINESS REVIEW AND PROSPECTS

For the six months ended 30th June 2004, the Group's turnover was US\$70,949,000, and the Group's net profit attributable to shareholders was US\$3,079,000.

During the first-half year of 2004, driven by the robust growth of the US economy and the rise in personal consumption, recovery of the retail market has been seen. Besides, the turnover of the Group increased as more orders from its customers were recorded. The Group's turnover for the first-half year rose 17% as compared with the corresponding period of last year. The profit margin was 4.3%, down 2% from that of the corresponding period of last year, mainly due to an impairment loss amounted to US\$1,164,000 recognised in the securities investment of the Group in Secaicho Corporation ("Secaicho") in Japan.

Although our purchase orders and turnover significantly increased as compared with the corresponding period of last year, the cost of raw materials continued to rise during the period. Under a more challenging business environment as compared to last year, the upward surge of crude oil price has correspondingly raised the prices of its related footwear materials such as rubber, synthetic leather, EVA. However, through adopting its measures of internal control, enhancing efficiency and reducing wastage, the Group's net profit margin maintained at 6%, a level similar to that of last year, net of the impairment loss recognised in securities investment in Japan of a million or more US dollars.

## **BUSINESS REVIEW AND PROSPECTS** *(Continued)*

Secaicho filed an application to Osaka Court for corporate reorganisation in July 2003 for the reason of shortage of short-term capital turnover. Till now, Secaicho is under normal operation and keeps purchasing the footwear products from the Group. The Group also keeps delivering the footwear products against receipt of L/C as usual, and there is no issue of trade receivables. However, the Group has recognised an impairment loss for investment in Secaicho in an amount equal to approximately 50% of the cost of investment in the financial statement for the year ended 31st December 2003. To be consistent with its prudent approach, the Group has further recognised an impairment loss amounted to US\$1,164,000, which is equal to approximately 50% of the remaining investment cost, in the financial statement of the first-half year of 2004.

In the first-half year of 2004, the Group's trial production lines based on the concept of lean operating system at the plant increased to four. The result of trial production lines was encouraging, not only enhanced its productivity persistently, but also shortened the delivery period. On the other hand, the Group also engaged consultants to review and optimize the composition of its human resources, with an aim to rationise its structure, strengthen its internal review mechanism, thus enabling an effective use of resources.

It is our Group's strategy to focus on our own line of business, devoting our mind to existing branded customers and serving them with more enthusiasm, which functions as the foundation for enhanced business partnership. Despite intense market competition, we will further our stringent cost control to improve efficiency and to increase return to the shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th June 2004, the Group's total assets was US\$154,033,000, comprising mainly current liabilities of US\$27,743,000, long term liabilities of US\$18,281,000 and shareholders' funds of US\$108,008,000. The current ratio was approximately 2.5 times and the ratio of net bank borrowings to shareholders' fund was approximately 16%. 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.