MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Turnover decreased slightly by 3% to US$113 million from last year of US$116 million; and

- Profit attributable to shareholders increased by 13% to US$5.9 million from last year of US$ 5.3 million.

BUSINESS REVIEW

The financial year of 2004/2005 was demanding. The keen price pressure from our customers, the rapid change of our product mix in response to the shorter life span of sports shoes as well as the continuous rise in raw materials price and labor costs are major challenges faced ahead.

The Group's turnover was slightly down 3% from prior year's US$116 million to this year's US$113 million. Contribution to turnover from North America was 61% (2004: 67%) and is still accounted for the largest portion of the segment sales. The geographical spread continued to be strengthened into Asia and Mainland China, contributing 23% (2004: 18%) of the Group's total turnover.

We are under pressure to identify and leverage operational savings as tradeoffs. In order to achieve a competitive cost structure, we have been evolving towards lean manufacturing model in order to lower inventory and shorten cycle time, thus cutting costs and increasing customer responsiveness with the ultimate goal of staying alive.

In the past few years, we have placed significant investments in research and development for new designs and functions as well as in production process streamlining and re-structuring. These measures have paid off which successfully enable the Group to maintain a stable gross profit margin and reduce further the general & administrative expenses despite the decrease in sales and the increase in the price of major cost components during the year.

Other revenues increased from US$1.5 million in last year to current year's US$1.6 million, which was principally due to the increase in bank interest income of US$0.1 million.





Operating profit from US$ 5.3 million, 4.5% of sales last year to this year of US$4.2 million, 3.7% of sales, which is in line with the decrease in gross profit margin.

Included in the profit attributable to shareholders an amount of US$1.7 million for a provision write-back of a revalued property in Dongguan, the PRC. As a result, the Group recorded similar amount of operating profit and profit attributable for shareholders of US$5.9 million, increased by 13% from last year's US$5.3 million.

We will continue our strategies to increase customer responsiveness and identify savings on our supply chain, which we believe will enable the Group to remain competitive and maintain reasonable profitability.

DIVIDENDS

The board of directors recommended a final dividend of HK$0.03 per ordinary share for the year ended 31st March 2005, which together with an interim dividend of HK$0.01 per ordinary share paid during the year, representing a total distribution of US$1.7 million or HK$0.04 per ordinary share. The policy of steady distribution of profit each year remains unchanged.

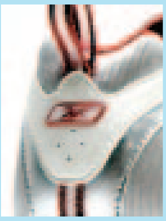
The dividend payout ratio for this year was approximately 29.5% of the profit attributable to shareholders.

FINANCIAL AND LIQUIDITY RESOURCES

The Group follows a policy of prudence in managing its financial and liquidity position. Through our excellent management of inventory, receivables & payables, our working capital position remained strong with an average collection period of accounts receivables and stock turnover of approximately 50 days.

The increase in the last two months sales for current year as compared to the same period last year brought an increase in accounts receivable and accounts payable to US$15 million and US$12 million (2004: US$14 million and US$10 million) respectively. To cope with the customers demand soon after year end, inventories increased US$1 million from last year's US$14 million to this year's US$15 million.




As at 31st March 2005, the net cash and bank balances of the Group were increased by 28.7% or US$2.8 million to US$12.6 million as compared to US$9.8 million in last year. Included in the bank balances and cash of the Group were Renminbi deposits and cash in Mainland China of US$3.8 million (2004: US$2.7 million). Renminbi is not a freely convertible currency. As in the past, the Group has no bank borrowings except for minimal amount of bank overdrafts of US$9,000 (2004: US$0.2 million) and bills payables of US$0.2 million (2004: US$0.1 million).

There are no material plans for investments and capital expenditures except for the Group's regular annual capital expenditures.

RISK OF CURRENCY FLUCTUATION

The Group's sales are transacted in US dollars, whereas the materials purchases and manufacturing expenses are mainly in US dollars, Renminbi and Hong Kong dollars. With regards to the 2% Renminbi revaluation announced last week, the Group has already taken measures to counterbalance such impact and is now considering some hedging mechanisms that allow the Group to lock in a favorable rate in a definite period. As a result, the Group considers no material exposure to foreign exchange risk.

PROSPECT

The Group will strive for exploring new customers and orders with higher profit margins, thus enhancing shareholders value in the coming years.