

## **INTERIM DIVIDEND**

The Company recently completed a rights issue. As a result, the number of issued shares increased from 1,109,803,182 to 1,664,704,773 shares by the creation of 554,901,591 new shares. However, the rights proceeds did not contribute to the Group's operations for the period ended 30 June 2005. Therefore, the Board has decided that instead of paying an interim dividend for the period under review, only a final dividend will be declared and paid in respect of the whole financial year 2005.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of operations**

I am pleased to report that for the 6 months ended 30 June 2005, our Group enjoyed a 55.3% increase in sales, whilst profits after tax and minority interests increased 56.3%.

Over the past few years, the Group has devoted a great deal of efforts to raise the overall productivity of its factories and to control manufacturing cost effectively. The fruit of these efforts is now reflected in the gross margins, which are in line with the top shoe factories in China. For the period under review, gross profit margin increased to 24.3% and, despite increase in oil and commodity prices, raw material cost as a percentage of sales remained steady.

The sizeable increase in revenue reflects continual strength in shoe retailing in the United States, which in turn reflects continual economic strength in the face of uncertainties such as high oil prices and currency exchange volatilities. The Group has been able to increase business volume with existing customers as well as securing significant new customers.