

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2005 (six months ended 30th June 2004: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and prospects

Turnover of the Group for the six months ended 30th June 2005 amounted to HK\$147,649,000 (six months ended 30th June 2004: HK\$148,200,000), representing a decrease of approximately 0.37% over the corresponding period last year. Loss attributable to equity holders of the Company was HK\$7,850,000, as compared to loss as restated of HK\$15,351,000 for the same period last year.

The Group's core business is the manufacture and export of athletic and athlete-style leisure footwear, as well as the manufacture of working shoes, safety shoes and golf shoes. The Company's major customers were Fila, Hi-Tec, Geox, etc.

During the first half of 2005, staff changes and restructuring of the Group made it extremely challenging to the Group.

During the period, due to the historical high in oil prices, the increase in labour cost in the Pearl River Delta Region and the competition in the shoe manufacturing industry, the business environment was still very difficult. Despite the Group's continued efforts on controlling overall costs of manufacturing, selling and administrative expenses, pressure from the market was still enormous. In such an unfavourable business environment, the Group's business for the first six months of the year still incurred losses.

Nevertheless, the Group remains confident in its future prospects. In order to enhance our operating efficiency, we are now introducing the new Enterprise Resource Planning (ERP) system and expect that it will be fully functional online at the end of 2005. The Group expects that there will be substantial improvement in procurement of materials, inventory control, manufacturing management, project management and working capital management.