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.

Business review and prospects *(Continued)*

In view of the complicated and ever changing present market environment, the Group is now considering various possible measures to further enhance the overall efficiency in utilization of resources and to lower its operating costs.

Looking ahead, the management still strongly believes that the Group's competitiveness will be improved by carrying out thorough reforms in various aspects, increasing its productivity and improving cost control. The Group will also strive to maintain financial stability, strengthen its leading position in the market and adopt balanced and prudent project development strategies in order to create the highest value for our shareholders, as well as endeavour to maintain the quality of our products and services.

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 30th June 2005, the Group had available cash and bank balances of approximately HK$22,543,000 (2004: HK$27,038,000). There is no deposit (2004: Nil) pledged for banking facilities available to the Group of HK$25,000,000 (2004: 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$45,534,000 (2004: HK$46,012,000) as at 30th June 2005.

Funding of the Group's operations is mainly financed by internal resources. There were no borrowings from banks to the Group (2004: Nil) as at 30th June 2005.

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.

There is no change in capital structure of the Company during the period.

Exposure to exchange rate fluctuation

As at 30th June 2005, purchases and sales of the Group were mainly denominated in Hong Kong dollars, Renminbi, New Taiwan dollars and US dollars. In view of the stability of these currencies, the Directors consider that the Group has no significant exposure to foreign exchange fluctuation.

Employees and remuneration policy

As at 30th June 2005, the Group employed approximately 15 staff in Hong Kong and Taiwan offices and had approximately 4,000 workers working in the Group's processing bases in Mainland China. Besides offering competitive remuneration packages to the employees, discretionary bonuses may also be granted to the eligible employees based on the Group's and the individual's performance.

Significant investment

For the six months ended 30th June 2005, the Group had not made significant investment.

Material acquisitions and disposals of subsidiaries

There were no material acquisition and disposal of subsidiaries during the six months ended 30th June 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company adopted the Share Option Scheme (the "Scheme") on 10th June 2003 for the purpose of providing incentives or rewarded to selected eligible participants for their contribution to the Group, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Under the terms of the Scheme, the Directors of the Company may grant share options to employees of the Company or its subsidiaries, including Directors of any of such companies, to subscribe for shares in the Company subject to the terms and conditions stipulated therein. However, no share options were granted during the period or outstanding as at 30th June 2005.