

INTERIM DIVIDEND

At the board meeting held on 23rd December 2005, the Board has resolved to declare the payment of an interim dividend of HK 1 cents per ordinary share for the year ending 31st March 2006. The interim dividend will be payable on Friday, 20th January 2006 to shareholders whose name appear on the register of members of the Company on Friday, 13th January 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 12th January 2006 to Friday, 13th January 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend which will be payable on Friday, 20th January 2006, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, Unit 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 11th January 2006.

BUSINESS REVIEW AND PROSPECT

For the period under review, the Group's sales were US\$56 million, representing a slight increase of 2.4% from US\$54.7 million for the same period last year. Geographically, North America remained the Group's largest market, where over 60% of the Group's turnover was generated.

Gross profit as a percentage of sales recorded a modest increase of 0.6% from 7.7% to 8.3% and profit attributable to shareholders was US\$3 million, an increase of 51% from US\$2 million over the corresponding period last year. The increase is the combined effect of an increase in turnover and cost savings resulting from the implementation of lean manufacturing strategies.

Not only the reduction of overall production overheads, the distribution and administrative expenses remained at a relatively low level of approximately 5% as a percentage of sales for both periods. The sustained low level reflects the quality and effectiveness of the Group's cost containment measures undertaken in these years.

Other revenues increased from US\$0.7 million to US\$1.2 million. It was mainly due to the increase in interest income and subcontracting income.

Despite the improved results for this half-year period, the market condition of the footwear manufacturing industry in Mainland China remains difficult. The raw materials and labor costs remain high, the constrained increase in the selling price as well as the increasing pressure on volume growth resulting from trade disputes over China exports, especially the launching of anti-dumping investigation by European Commission in July 2005, etc. all of which have clouded the Group's operations for the coming six months period.

Nevertheless, we are confident of our strategies on customers-focused improvements as well as our progress on the implementation of lean manufacturing model. We are already seeing the benefits of cost savings. By becoming lean and agile, we believe that the Group will be able to achieve tremendous growth in the future.

FINANCIAL AND LIQUIDITY RESOURCES

As always, the Group maintains a strong liquidity and financial position. The Group had cash and bank deposits of approximately US\$23 million (31st March 2005: US\$13 million) and essentially no debt except for a minimal amount of bills payable of US\$5,000 (31st March 2005: US\$0.2 million) as at 30th September 2005

The working capital position continued to be healthy. The average turnover days for stock and trade debtors remained stable at a level of 50 days (31st March 2005: 50 days). The current ratio improved from 2.5 times at 31st March 2005 to 3.1 times at the end of the half-year period under review.

At present, there are no plans for materials investments and capital expenditures and the Group has adequate liquidity to meet its future working capital requirements.

RISK OF CURRENCY FLUCTUATION

The Group's operating currency is US dollars and most of its sales receipts and purchases payments are in US dollars, while net working capital requirements of the Group's China factories are in Renminbi.

With regard to the fluctuation of Renminbi, we believe that it does not pose significant risk for the business performance and the financial status of the Group at present, nevertheless, we will continue to take proactive measures and monitor closely of our exposure to such currency movement.