

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2006, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group had no other debt securities or capital instruments as at 30 June 2006 and up to the date of this Report.

MATERIAL ACQUISITIONS AND DISPOSALS

1. During the period, the Group further acquired 29.6% of Wah Shing for a total consideration of HK\$71,632,000.
2. During the period, the Group acquired 52.8% of Nority at a total consideration of HK\$67,310,000.
3. During the period, the Group acquired 87% of the Transferred Net Assets in 南京微分電機廠 at a consideration of RMB41,655,600, details of which were set out in circular of the Company dated 14 June 2006.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

There was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recent published annual report.

MANAGEMENT OF RISKS

In the opinion of Directors, the market risk arising from the financial business is not considered as material.

EMPLOYEES

As at 30 June 2006, the total number of employees of the Group was approximately 32,700. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared to the most recently published annual report.

PROSPECTS

Trading and Manufacturing

We are seeing stronger second half-year orders from clients for our trading and manufacturing operations. The performance of Wah Shing should improve accordingly and the shoe manufacturing in Tianjin is expected to have good results in the second half of the year as well.

In addition, we anticipate that the operating loss of the manufacturing of athletic and leisure shoes will be contained in the second half-year since our management has taken over control of Nority in May 2006. We are making our best efforts to minimise costs and soliciting more orders.