

CAPITAL STRUCTURE

The Group had no debt securities or other 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 acquired an additional 29.6% interest in Wah Shing at a total consideration of HK\$71,632,000.
2. During the period, the Group acquired an additional 52.8% interest in 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 the transaction were set out in the circular of the Company dated 14 June 2006.

PLEDGES OF ASSETS AND CONTINGENT LIABILITIES

There was no material change in the Group's pledges of assets and contingent liabilities as compared to those disclosed in notes 39 and 40 to the most recent published audited financial statements.

EMPLOYEES

As at 30 June 2006, the total number of employees of the Group was approximately 32,200. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market.

In addition to salary, other fringe benefits including medical subsidies, provident fund and subsidized training programmes are offered to all employees of the Group. Individual employee may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme which came into effect on 18 June 2002.

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 solicit more orders.