

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 1 Hong Kong cent per ordinary share for the six months ended 30th June 2006 to shareholders whose names appear on the register of members on 20th October 2006. The dividend warrants will be sent to shareholders on or before 26th October 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 17th October, 2006 to Friday, 20th October 2006, both days inclusive, during which no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrars, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 16th October 2006.

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 June 2006, turnover of the Group reached US 73,749,000 while net profit attributable to the shareholders of the Group was US 2,158,000.

Turnover of the Group during the first half year has increased slightly as compared with that of the corresponding period last year. Through the unified effort of all staff and the implementation of new management module emphasizing on the enhancement of efficiency and return, gross profit margin has increased despite series of challenges including the rising payroll, increasing cost of raw materials and the appreciation of Renminbi against US dollar.

The Group has always put focus on and persistently pursued not only the fulfillment of customers demand regarding delivery, product quality and services but more. The resulting faith of our customers on long term cooperation with us leads to a relatively bigger increase in turnover as compared with the corresponding period last year. In terms of internal management, the Group has adopted a new management module which promotes the concept of lean operation system, with a view to enhance its efficacy and efficiency, striving for a bigger room for profit making amidst a low margin economic environment. Besides our emphasis on customer, we have also been concentrating on the immediate interest of our staff, for instance to cut down working time, improve the working and living environment and provide multi-layered free training in various aspects which enabled a hand in hand progress of our staff together with the corporation. As a result of all these the Group has never encountered any kind of shortage of labor. Our emphasis on the needs of staff ensures a steady and skilled team of workforce for the corporation, which in turn guarantees a consistent quality of product in the long run.

BUSINESS REVIEW AND PROSPECT *(Continued)*

Regarding business issues, the Group has further developed business relationship with customers having self-owned sales channel. Consequently, related orders have achieved a greater growth as compared with the corresponding period last year.

Spurred by the persistent economic growth and the increasing living standard in China, the Group saw great potential in China's domestic sales market, and as a result undergone a more dynamic exploration in China's retail and wholesale operations. For the first half of the year 2006, focus has been put on brand management and the construction of sales channel. Through full conglomeration of brand, product and sales channel, domestic sales is expected to leap forward.

Constant increase in labor cost, soaring cost of raw materials, anti-dumping investigation by European Union and the appreciation of Renminbi have remained severe challenges to the Group's further development. The Group will continue to strive for the betterment of the management module focusing on the enhancement of efficacy and to serve our existing customer with quality products and services, while actively identifying new customers and exploring China's domestic sales market so as to attain greater business growth and enhance our profit margin, and to serve our shareholders well.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2006, the Group's total net assets was US\$103,301,000, comprising mainly current assets of US\$68,384,000, non-current assets of US\$71,055,000, current liabilities of US\$25,658,000 and non-current liabilities of US\$10,480,000. The current ratio was approximately 2.67 times and the ratio of net bank borrowings to shareholders' fund was approximately 12.5%. The Group services its debts primarily through cashflow generated from its operation. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.