

10. CONTINGENT LIABILITIES

At 30th September, 2001, the Company had guarantees of approximately of HK\$90,062,000 (31st March, 2001:HK\$90,062,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company. The amount utilised by the subsidiaries was approximately HK\$42,206,000 (31st March, 2001: HK\$25,142,000).

11. OPERATING LEASE COMMITMENTS

The total future minimum payments under non-cancellable operating leases in respect of rented properties of the Group are as follows:

	Unaudited 30 September 2001 HK\$'000	Restated 31 March 2001 HK\$'000
Not later than one year	93,572	82,668
Later than one year and not later than five years	105,598	83,191
Later than five years	18,010	19,693
	217,180	185,552

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th September, 2001 (2000: HK0.23 cent per share of HK\$0.01 each).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period under review, the Group's turnover was approximately HK\$165,355,000, about the same level of HK\$166,096,000 in the corresponding period last year. Profit attributable to shareholders was approximately HK\$1,854,000, compared to approximately HK\$25,038,000 the same period last year. Reasons for these interim results' decline were mainly attributed to the economic downturn within the Group's principal markets, i.e. Hong Kong and Taiwan, as well as weak consumption power and malignant competition which involved offering large discounts to customers so as to promote sales. Thus, gross profit margin was adversely affected. In addition, the Group attempted to diversify its products and markets during the first half of the year, and launched the new brandname **i-MIIX** to explore into the girls' trendy casual apparel retail market. This resulted in an increase in both the Group's investment in new operation and operating costs.

Retail markets in Hong Kong and Macau had been poor. Against the backdrop of economic downturn and deflation, business of various industries were much worse off than before with many companies had their financial burdens relieved by laying off staffs or lowering their wages. Some companies even closed down because of operating difficulties, which in turn dragged consumer spending further. The retail sector in Hong Kong recorded a turnover of approximately HK\$107,006,000 in the first half of the financial year, while the turnover for the same period last year was approximately HK\$131,161,000, representing a drop of 18.4%.

As for Taiwan market, due to its political instability and economic setback, unemployment rate was high and consumption power was weak. Malignant competition from the peers had forced the Group to offer more discounts to customers so as to promote sales. Thus, gross profit margin for this period was adversely affected. As a result, despite a turnover of approximately HK\$44,129,000 for the first half of the financial year as compared to approximately HK\$32,865,000 the same period last year, which represented a growth of 34.3%, profits from operations in Taiwan has fallen.

As for the PRC market which has been the focus of the Group's network development, we are convinced that the ladies' apparel brandnames **Wanko** and **Veeko** will have great potential for market development, with the PRC's entry into the World Trade Organization along with a remarkable growth in its economy as well as an enhancement of people's living standard. The Group has already started to build up its own outlets and franchised stores in major cities of the PRC, such as Beijing, Guangzhou and Shenzhen. The initial response has been encouraging.

Singapore had also been adversely affected by economic setback. The Group had set up 5 **Wanko** outlets and 3 **Veeko** outlets there. Due to the fact that those outlets are in their initial stage, a slight loss was recorded in the first half of the year.

PROSPECTS

Although the global economic outlook is still uncertain and with the "911" event took place in the U.S., it is expected that economic recovery in Hong Kong and Taiwan may not appear in the short term. In normal circumstances, the Spring/Summer season in the first half of the year is a low season for the apparel retail industry while performance is usually better during the Autumn/Winter season. The Group has taken corresponding measures in response. Apart from reducing selling cost and developing the new brandname **i-MIIX**, the Group has managed to invite Miss Lau Ka Ling, Carina, who is famous actress among the Mainland China, Hong Kong as well as Taiwan, to be the spokeswoman for the Group's **Wanko** brandname products. With Miss Lau Ka Ling, Carina's image of elegance and lofty taste, the brandname has been enhanced to a higher position as a forerunner of fashion, so as to better serve customers' demand and expectation. The initial response from these three markets has been good. It is believed that with the Group's aggressive and effective measures taken in the second half of the year, performance will improve as a result.

LIQUIDITY AND BORROWING

As at 30th September, 2001, the Group's shareholders' fund amounted to HK\$155,756,000 (31st March, 2001 (restated): HK\$153,909,000). The Group's cash and bank balances amounted to HK\$28,128,000 (31st March, 2001: HK\$33,042,000) and the outstanding bank borrowings and overdraft amounted to HK\$50,532,000 (31st March, 2001: HK\$28,753,000) whereas the total borrowings was HK\$51,024,000 (31st March, 2001: HK\$29,284,000).

At the end of the period, the gearing ratio (the ratio of total borrowings to shareholders' funds) of the Group is 0.33 (31st March, 2001 (restated): 0.19). The change in the gearing ratio was mainly the result of the Group's expenses of approximately HK\$11,480,000 in respect of property, plant and equipment, which was utilized mainly for expanding its own retail outlets in Taiwan and Singapore and for the addition of equipment for the plants established in Dongguan and Shantou.

Even though the gearing ratio increased, the Group managed to maintain a healthy financial position.

STAFF AND REMUNERATION POLICIES

As at 30th September, 2001, the Group had a total of 3,037 employees. Remuneration of the staff, including insurance and medical benefits are mainly determined by the Group in accordance with practices in the industry. The Group will also adopt a reward scheme for the employees in accordance with the annual results performance.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2001, the interests of the directors in the share capital of the Company were as follow:

Name of director	Nature of interests	Number of shares held
Mr. Cheng Chung Man, Johnny	Family interests (Note)	911,739,650
Ms. Lam Yuk Sum	Personal interests	124,194,000
	Family/other interests (Note)	911,739,650
Mr. Ng Man Kit, Lawrence	Personal interests	82,324,530

Note:

These shares are beneficially owned by Silver Crown Profits Limited ("Silver Crown"). The shares in Silver Crown are in turn held by the trustee of the J Cheng Family Trust, a discretionary trust the beneficiaries of which include Mr. Cheng Chung Man, Johnny's family members.

Save as disclosed above, other than certain nominee shares in the subsidiaries held by certain directors in trust for the Group, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporation as defined in the SDI Ordinance as at 30th September, 2001.