

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Group recorded a turnover of HK\$107,385,000 for the fiscal period 16 months ended December 31, 2000, representing an increase of approximately HK\$51,213,000, or 91%, over the previous financial year. The loss attributable to shareholders for the period was increased slightly to HK\$98,188,000. Based on the weighted average number of 2,411,105,266 shares in issue during the period, the basic loss per share was reduced to 4.07 cents as compared with 9.84 cents in previous financial year.

The Group's business was categorised into three segments, namely (1) apparel retail business, (2) technology investments and (3) property investments. During the fiscal period under review, the turnover from apparel retail business was HK\$105,393,000, which doubled that of the previous financial year. The increase was primarily contributed by the business of San Dino ("San Dino") in Hong Kong and in the PRC. San Dino was acquired by the Group in August 1999 with which it had only a minimal contribution in the previous financial year. During the period, San Dino contributed approximately 79% to the total turnover of the Group. However, the increase from San Dino was largely offset by the unsatisfactory performance of the business of Giovanni Valentino ("Giovanni Valentino"). Despite management had carried out a series of tight cost control measures, the performance of the apparel retail business still fell short of expectation. The Board decided to discontinue the business in order to halt further drainage of the Group's resources. In this regard, the Group disposed of the Giovanni Valentino and San Dino retail businesses in May 2000 and in August 2000 respectively. A net gain of HK\$417,000 was earned on the disposal.

In view of the continuing losses in recent years, management decided to shift the Group's focus to other businesses with particular emphasis on technology. During the fiscal period under review, the Group acquired a number of investments to diversify its business. However, under the deteriorated operating environment for technology companies in particular, the Group shared a loss of HK\$1,082,000 from its associated companies during the period. In addition, the Group had provided for HK\$38,965,000 in respect of the potential diminution in value on its investments as at December 31, 2000.

The Income from investment properties dropped by 72% to approximately HK\$1,992,000. The drastic decrease was primarily due to the downturn of the real estate market caused by a slowing economy in Hong Kong, the rental yield on investment properties was also inevitably lowered.

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### LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2000, the net working capital of the Group totaled approximately HK\$122,433,000. The current ratio improved significantly to 12.4 as compared to 0.77 as at the end of the previous financial year. The improvement was primarily due to the introduction of several new shareholders to the Company in early 2000, where approximately HK\$360,000,000 was raised that formed the solid foundation for the Group's expansion and development.

At the time of this report, the Group had approximately HK\$117,516,000 cash on hand. Together with marketable securities amounting to HK\$15,600,000 and a short term advance of HK\$20,198,000 the Group had approximately HK\$153,314,000 in liquid assets. Apart from the HK\$31,968,000 bank loans, the Group had a nominal amount of trade liabilities and commitments.

With a strong balance sheet, the Group is well positioned to access the capital markets for additional future funding needs. The Group will continue to review its capital structure taking into account new investment opportunities, long term and short term funding requirements. The Group targets to maintain the best capital structure to achieve efficiency and maximise shareholders' return.

### EMPLOYEES

As mentioned under Financial Results, the Group had disposed of its apparel retail business in 2000. In this regard, the Group had carried out a series of corporate restructurings and reorganisations to streamline its operations. A total of HK\$739,000 was paid as severance payments during the period. As at December 31, 2000, the Group employed about 35 staff of which 18 were based in the PRC for the Group's business.

The Group remunerates its employees largely in line with industry practice. In Hong Kong, the Group provides staff benefits including medical scheme and optional provident fund in addition to mandatory scheme. Staff in the PRC are also protected by the local government labour policies.

The Group recognizes the importance of high calibre and competent staff and has a strict recruitment policy and performance appraisal scheme. In addition, management will strive to improve employer-employee relationship in an effort to increase production, efficiency and loyalty.