

## **REVIEW OF BUSINESS**

Though the economy of Hong Kong grew 10% in Gross Domestic Products in the third quarter of the year 2000 as a result of surging export, deflation is expected to persist and unemployment at around 5% is not expected to fall very much.

For the six months ended 30th September, 2000, the Group's recorded a turnover of approximately HK\$3,019,000 representing a decrease of 41% as compared with HK\$5,131,000 of the corresponding period in last year. Operating loss before taxation was approximately HK\$1,085,000 compared with an operating loss of HK\$186,000 for the same period last year.

Even with the strengthening economy, the retail market continues to suffer as continued unemployment and weakened asset markets have adversely effected consumer confidence and purchasing power within the region.

Facing diminishing consumer spending sentiment in Hong Kong, the Group has adopted stringent cost control measures so as to maintain a lean and efficient operation. The Group has also actively reviewed the profitability of each sales outlet, closed down loss incurring outlets and geared to develop more lucrative distribution centres and to minimize its inventory level to a satisfactory level.