

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the six months ended 30th June, 2001, the Group recorded an unaudited turnover of HK\$455,711,000, representing a decrease of 20.96% against the corresponding period in 2000 of HK\$576,535,000. The Group's unaudited loss attributable to shareholders under review was HK\$7,667,200 whereas in the corresponding period in 2000 a profit of HK\$11,383,000 was recorded. Loss per share in the first half of this year was HK\$0.016 (2000 comparative figures for the same period: earnings per share HK\$0.0248).

In view of the slowing down of the world's major economies, the Group has undergone a difficult period in the first half of the year. Overseas buyers mostly from America and Europe remained cautious in placing orders with the result of a decline in sales to the Group's dominant markets, a reduction in the profit margins and a loss in operation from non wholly-owned subsidiaries. The loss attributable to shareholders for the period include impairment loss of investments in securities of Perception Digital Technology (BVI) Limited amounting to HK\$2,500,000.

#### **Bigfield Goldenford Holdings Limited**

Bigfield Goldenford Holdings Limited, a 62.50% subsidiary of the Group, recorded a decrease in turnover of 15.25% from that of the previous year. Net loss for the period amounted to approximately HK\$8.5 million, compared with net profit of HK\$10.45 million in the corresponding period of 2000. The net loss for the period was mainly attributed to the drop in profit margin and increase in factory overheads and depreciation provision for the additional machinery and equipment together with the provision for bad and doubtful debt.

#### **Frankie Dominion (Holdings) Limited**

Frankie Dominion (Holdings) Limited has also recorded a decline in business operation. Turnover and profit slightly decreased by 23.17% amounting to HK\$164,192,000 and 15.94% amounting to HK\$14,661,000 respectively in the first half of the year as compared with the same period in 2000.

#### **Home Mart Store Limited (“Home Mart”)**

As mentioned in the Group's 2000 Annual Report, Home Mart ceased operation of its general merchandise store business in March 2001, due to the expiration of the tenancy for its premises at Metro Plaza. All inventories of the general merchandise have been disposed and no further write off is to be taken into the account in the second half of the year.

**Net margin**

Net margin fell to 1.08% in the first half of 2001 compared with 5.89% as at 30th June, 2000.

**Operating Expenses**

Operating expenses in the first half of 2001 slightly increased to 17.31% over that of 30th June, 2000 at 17.07%.

**Interest Expenses**

As a result of increasing finance leases, interest expenses slightly rose to 0.88% in the first half of 2001 compared with 0.84% as at 30th June, 2000.

**Provisions for bad and doubtful debt**

Provisions rose in the first half of the year due to an additional provision of HK\$2,000,000 being made against a doubtful account. In comparison, no provision was made in the same period last year.