

Business and Financial Review

(I) GROUP RESULTS

As a result of the change in the Company's financial year end date from December 31 to March 31 as previously announced, the interim period under review covered the half-year period ended 30 September 2001. The comparative period is for the six months ended 30 June 2000, being the first six months of the previous fiscal period.

The unaudited Group loss attributable to shareholders for the six months ended 30 September 2001 amounted to HK\$26.1 million. Loss per share was 1.6 cents.

(II) INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2001 (six months ended 30 June 2000 – Nil).

(III) BUSINESS REVIEW & PROSPECTS

The economic recession in Hong Kong and Taiwan has affected the performance of the JOYCE Group during the first six months of 2001/02. The slowdown of the market buying sentiments has impacted the fashion retail sector in particular. Coupled with the expiry of the Armani franchise in January 2001 (Armani turnover and operating profit were HK\$120.7 million and HK\$22.7 million respectively in the comparative period last year), the Group's turnover dropped by 43.5% compared to the last comparative period.

The Group attempted to diversify into other product and market segments, with the Ad Hoc division entering into the young, street fashion sector. The results, unfortunately, were not encouraging, as this mid to low priced sector has been even more hard hit by the economic slowdown than the high end fashion sector. Moreover, competition has been extremely keen. The Division, therefore, remains to be the single largest loss contributor to the Group, with HK\$8.7 million in the first half of the financial year. Taking into consideration the global and local soft economic sentiments, the Group cannot foresee the possibility of a major turnaround of this market segment in the immediate future. The Group, therefore, has decided to wind down the Ad Hoc operations according to the expiry of the leases.

Taking advantage of the lower start up costs, we continue to develop our core business cautiously. In September, JOYCE expanded the Pacific Place multi-label store from 4,000 sq. ft. to 8,900 sq. ft., and in the same month, opened a Hugo boutique on Paterson Street, Causeway Bay. In October, we opened the first Boss Woman boutique in Ocean Terminal, Kowloon.

The outlook for the Group is closely linked to both the local and global economic environment. For the immediate future, we foresee the buying sentiments to remain weak, as there does not seem to be any indicative signs of global or local economic recovery. In view of the unpredictable market conditions ahead, the Management will continue to adapt itself to meet the challenges.