

Management Discussion and Analysis

(I) REVIEW OF 2001/02 INTERIM RESULTS

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.

The Group's turnover for the period was HK\$225.2 million, a decrease of 43.5% as compared with the six months ended 30 June 2000 which was mainly due to the closure of 4 Armani shops in January 2001 and the fact that the retail market in Hong Kong and Taiwan remained sluggish during the period.

The gross margin for the period was affected by the closure sale of the Ad Hoc shop in Taiwan and the deeper promotional discounts given to customers for boosting sales.

Operating costs have reduced as a result of the closure of the Armani business and the stringent control exercised by the management.

No provision for Hong Kong and overseas profits tax has been made as there were no net assessable profits generated during the period.

(II) LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2001, the Group's total net deposits and cash amounted to HK\$214.4 million, representing total deposits and cash of HK\$220.2 million less total bank borrowings of HK\$5.8 million which are all repayable within one year.

Most of the Group's imported purchases are denominated in foreign currencies, primarily being Euro. To minimise exposure on foreign exchange fluctuations, the Group will from time to time review its foreign exchange position and, when it considers appropriate and necessary, will hedge its foreign exchange exposure by way of forward foreign exchange contracts. The amount of forward foreign exchange contracts outstanding as at 30 September 2001 is shown in Note 10 to the Accounts on page 10.

(III) FINANCE

During the period under review, the Group secured and renewed committed banking facilities in a total amount of HK\$184,000,000.

With its cash holdings and available committed banking facilities, the Group believes that it will have sufficient fund to pursue new potential investment opportunities.

(IV) EMPLOYEE

The Group has approximately 450 staff. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group provides various job-related training programmes to staff periodically. Total staff costs for the six months ended 30 September 2001 amounted to HK\$45.7 million.