

Management Discussion and Analysis

Business review

For the year ended 30 November 2001, the Group recorded a turnover of about HK\$1.7 million, representing a drop of 90% from last year, and a net loss of about HK\$8.8 million representing mainly the administrative expenses incurred. During the year, substantially all of the management time and resources had been devoted to the Group's restructuring work, and accordingly, the operating result of the Group was adversely affected.

With the tremendous effort made by all the management and staff members, the Group finally succeeded in compromising its debts with major creditors including its debentures holder and banks by means of a combination of cash payment and issuance of new shares. To improve the working capital of the Group, the Company had completed a placement of shares to its single largest shareholder, Marble King International Limited, in September 2001 and undertook a successful one to one rights issue in October 2001 which in aggregate has raised cash of approximately HK\$93.5 million for the Group.

Liquidity and resources

After completion of the fund raising work as mentioned in the section of "Business review" above and payments to major creditors, the Group had net current assets of about HK\$1.4 million with cash and bank balances of about HK\$67 million as at 30 November 2001.

The Group's gearing ratio as at 30 November 2001 was significantly improved to 87% with total borrowings of about HK\$13 million over shareholders' fund of about HK\$15 million.

After completion of the restructuring, the remaining outstanding liabilities of the Group are mostly at subsidiary level and are not guaranteed by the Company. Management intends to handle these liabilities in fiscal 2002 through negotiation and/or other restructuring means. Upon completion of these procedures, the Group will be in a clean and tidy status to confront the beginning of a new era.

Pledge of assets

As at 30 November 2001, certain assets of the Group with an aggregate net book value of approximately HK\$11,838,000 were pledged to secure credit facilities granted to the Group.

Employees

As at 30 November 2001, the total number of employees of the Group was about 30. The Group continues to adopt the same remuneration policy as last year with reference to prevailing market practice and basing on the individual performance, working experience and degree of hardship of each of the employees.

Prospects

With the improvement in working capital after completion of the restructuring, the Group will be able to reactivate its garments and related business whilst it will explore opportunities for diversifying into new business with growth potential in order to restore the Group's profitability and strengthen the shareholders' value of investment.

ON BEHALF OF THE BOARD

Yeung Kwok Kwong

Chairman

Hong Kong, 7 January 2002