

OPERATING PERFORMANCE

A review of the business operation and prospects of the Group is contained in the Chairman's Statement.

The Group's turnover for the year ended 30 June, 2002 was HK\$138 million. Loss attributable to shareholders for the year was HK\$38.9 million, which included an impairment loss of HK\$10.8 million on goodwill relating to the disposal of an associate.

The sales at lower margin had attributed to the net operating loss for the year. Nevertheless, the Group managed to maintain a significant market share through successful brand promotion. Inventory level was further reduced to HK\$11.9 million as at 30 June, 2002, compared with HK\$44.1 million last year. Outstanding bank loan was significantly reduced to HK\$19.1 million, as compared with HK\$36.0 million last year.

WORKING CAPITAL AND LIQUIDITY

Net cash inflow from operating activities was HK\$22.8 million for the reported year, compared with a net cash inflow of HK\$23.1 million for the prior year. Cash balance at the year-end amounted to HK\$22.4 million, compared with a balance of HK\$14.7 million at the prior year-end.

The debt equity ratio as at 30 June, 2002 was reduced further to 0.27 , compared with 0.41 on the same date last year.

The Group' current ratio as at the year-end was 0.84, compared with 1.01 for the prior year-end. The Group's quick ratio was improved to 0.64, compared with 0.50 at the prior year-end.

STAFF

As at 30 June, 2002, the Group had a total staff of 1,874 of which 1,868 were employed in the PRC for the Group's manufacturing and retailing businesses.

The Group provides employee benefits such as staff insurance, retirement scheme, discretionary bonus and option scheme and also provides in-house training programs and external training sponsorship.