MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30th September, 2003, the Group recorded a turnover of HK$175,380,000 (2002: HK$195,572,000), representing a decrease of 10.3% as compared with the corresponding period of the previous year. The profit attributable to shareholders during the period was HK$12,337,000 (2002 restated: HK$12,891,000), representing a decrease of 4.3% as compared with the corresponding period of the previous year.

During the period under review, the Group recorded a fall of 10.3% in turnover as compared with the corresponding period of the previous year, mainly attributable to a sluggish retail market impacted by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the first quarter of the financial year, which inflicted a heavy blow to the public's consumption desire and confidence and brought about a drastic fall in the number of tourists, in return dramatically deteriorating the retail market. Also, the havoc wreaked by the illness on the Group's principal markets, namely Hong Kong, Taiwan and Singapore, contributed to the turnover fall. As a result, the Group's turnover during the period from April to July 2003 recorded a fall of almost 20% as compared with the corresponding period of the previous year. With an improving epidemic situation, and as a result of the internal consolidation strategies adopted by the Group, the Group's turnover in August and September 2003 recorded an increase of 9% as compared with the corresponding period of the previous year. Nevertheless, the negative impact of SARS in the first quarter was not sufficiently offset by the increase in turnover in these two months. As such, turnover was down for the six months compared with the corresponding period of the previous year.

Despite a 10.3% fall in turnover in the period under review as compared with the same period last year, the profit attributable to shareholders only fell by 4.3%, and the profit margin was comparable to that of the corresponding period of the previous year. A comparable profit margin can be maintained primarily thanks to the appropriate consolidation measures it took to minimize the negative impact of the difficult business environment created by SARS. Among such initiatives was an effort to improve its gross profit margin. The gross profit margin increased by 4.1% in the six months ended 30th September, 2003, mainly attributable to the Group's use of high-quality fabrics and a strengthening of more trendy sense in design. The products' enhanced quality helped to reduce big sales marketing activities and therefore increased the gross profit margin. Besides, as a result of the Group's effective measures in cost control, there were decreases of 3.7%, 5.9% and 95.9% in the selling and distribution costs, administrative expenses and finance costs respectively during the period under review, as compared with the corresponding period of the previous year.