

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2001 was HK\$123 million. Loss attributable to shareholders for the year was HK\$26 million, compared to a loss of HK\$19 million for the year ended 30 June, 2000. A provision for loss on the property investment in Hong Kong amounting to HK\$6 million has been accounted for in the reported year.

The Group was at a stage to position sharply its brand image and managed to maintain a significant market share. The sales at lower margin had attributed to the net operating loss for the year. Inventory level was further reduced to HK\$44 million as at 30 June, 2001 compared with HK\$59 million last year. Outstanding bank loan was significantly reduced to HK\$36 million, as compared with HK\$54 million last year.

WORKING CAPITAL AND LIQUIDITY

Net cash inflow from operating activities was HK\$23.1 million for the reported year, compared with a net cash inflow of HK\$6.8 million for the prior year. Cash balance at the year end amounted HK\$14.7 million, compared with a balance of HK\$27.6 million at the prior year end.

The debt equity ratio as at 30 June, 2001 was reduced to 0.41, compared with 0.50 on the same date last year.

The Group's current ratio as at the year end was 1.01, compared with 1.33 for the prior year end. The Group's quick ratio was 0.50 as at the year end, compared with 0.60 at the prior year end.

STAFF

As at 30 June, 2001, the Group had a total staff of 1,330 of which 1,323 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 programmes and external training sponsorship.