

BUSINESS REVIEW

The Group achieved a turnover of HK\$307.79 million represented an increase of 19.1% over the corresponding period in 2000. The unaudited consolidated profit attributable to shareholders decreased by 28.3% to HK\$18.89 million. The betterment in the turnover is resulted from increase in number of outlets in Hong Kong and PRC. The unaudited consolidated profit attributable to shareholders decreased is mainly due to the attenuating of gross profit from 59.9% to 56.0% and vast advertising program has been launched in PRC during the reported period.

Local Market

For the period under review, the Hong Kong economy was capricious and still under acute deflationary pressure. With the strategy in capturing different market segments with different trade names, we have achieved a satisfactory growth in market share in our local market. Turnover of the Hong Kong and Macau markets increased by 14.3% to HK\$261.24 million. Confronting the difficult business environment, we have lowered our profit margin in return for higher sales volume, resulting in decrease in operating profit by 46.7% to HK\$12.34 million.

The Group remains as the largest footwear chain stores in local market. At the end of October 2001, the Group operated 90 outlets in Hong Kong and Macau under 4 different trade names of Mirabell, Joy & Peace, teenmix and INshoesnet.

With sound liquidity, conservative balance sheet, aggressive marketing strategies and strong corporate management, we are confident that our performance in Hong Kong and Macau will continue be fairly better than our competitors.

China Market

Turnover of PRC market was approximately HK\$46.55 million for the reported period, an increase of 55.3% over the corresponding period in 2000. The betterment in turnover is resulted from increase in number of outlets during the reported period. However, the respective contribution decreased by 58.6%, mainly due to vast advertising program launched during the first half of the financial year. In addition, a department store in Shenzhen was closed during the reported period and a special provision was made amounted to RMB419,000.

By the end of October 2001, the Group operated 54 self-operated outlets under various trade names in major cities of PRC. In addition, there are 47 and 105 franchised outlets of Joy & Peace and teenmix respectively in over 20 provinces and cities of PRC. The management do believe that with such extensive network and our strong management team would enhance the Group to further explore the PRC market at greater efficiency.

Acquisition of Property in Shenzhen

As stated in the 2000/2001 annual report, the Group entered into an agreement to acquire a property located in the heart of Shenzhen with deposit of HK\$30.00 million being paid. The Group will occupy part of the property as a key outlet in that prime commercial district of Shenzhen, which may lead the Group to gain a better recognition of its business profile as a footwear retail chain in PRC. The remaining will be leased out to strengthen the Group's earning base.

By the end of October 2001, the property sale and purchase agreement had been signed. The balance of consideration, HK\$23.72 million, will be payable after the issue of the title certificate of the property under the name of the Group. The acquisition cost amounted to HK\$53.72 million will be paid out of the Group's internal financial resources and bank loan.