



MANAGEMENT DISCUSSION AND ANALYSIS

Sales Orders

As of 30th September, 2001, the Group has outstanding sales orders amounting to HK\$157 million and HK\$58 million in relation to leisure furniture and Christmas festive products, respectively, for the year ending 31st March, 2002. It is expected that there will be further Christmas festive products sales orders to be received for the year ending 31st March, 2002 in respect of the 2002 season.

Major Customers and Suppliers

For the six months ended 30th September, 2001, sales attributable to the largest and the five largest customers accounted for 44.5% (2000: 27.0%) and 69.2% (2000: 60.7%) of the total turnover, respectively. Purchases attributable to the largest and the five largest suppliers accounted for 25.1% (2000: 18.9%) and 54.4% (2000: 52.8%) of the total purchases, respectively.

None of the Directors, their respective associates (as defined in the Listing Rules), or any shareholder of the Company (who or which, to the knowledge of the Directors, own more than five per cent of the issued share capital of the Company) has any interest in any of the Group's five largest customers or suppliers.

Liquidity and Capital Resources

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30th September, 2001, the Group had available aggregate banking facilities of HK\$420.8 million, of which approximately HK\$145.8 million was utilized. The Group's cash deposits and bank balances as at that date amounted to HK\$233.2 million. The Board believes that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditures.

The Group has maintained sound capital structure, achieving a long-term gearing ratio of 7.0% and current ratio of 3.1 for the six months ended 30th September, 2001.

Human Resources

As of 30th September, 2001, the Group has a total workforce of approximately 5,900 people, for which approximately 5,700 were employed in Shenzhen, China, with the remaining in Hong Kong. It is expected that during the low season for production of Christmas festive products, from October to January 2002, the average number of employees employed in Shenzhen will decrease to approximately 3,800 people. The Group's employees are remunerated according to the nature of their duties and market trends, with incentives offered in the form of bonuses and share options based on individual performance. The Group's share option scheme remains the same as those described in the Annual Report for the year ended 31st March, 2001.