

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a profit of HK\$8,149,000 for the period under review. The Group's turnover amounted to HK\$92,908,000 which was 7% higher than the previous period's figure.

Business Review and Prospects

In the period under review, the Group has completed setting up its own garment manufacturing facilities in Guangzhou of the PRC. All the required machinery and equipment have been delivered and installed. Full production is under way to meet the demand for the upcoming selling season. As part of the strategy to further develop the China market, the Group also relocated its garment trading operation to the PRC. The garment trading operation in Hong Kong was suspended as the directors did not foresee the market would turnaround in the near future. Although the Group's garment trading operation suffered temporarily from the market consolidation and the incurring of pre-production set up costs, the Directors are optimistic that, with its production facilities coming into operation and the support of an experienced team of production and marketing personnel, the garment operation will perform better in the second half year.

The Group's proprietary trading in securities reported a small loss due to unfavourable market conditions and the impact of the "911" incident on the local equity market. The Directors have further reduced the Group's investment in equity securities until there are clear signs of recovery in the local economy.

The Group securities broking business also slowed down in the period under review amid poor market sentiment and the aftermath effect of the "911" incident. Nevertheless, recently released economic figures suggested that the US economy may be heading for a recovery in the second quarter. If the current economic momentum in the US continues to take hold, this would provide a vital boost to the market sentiment and lay the foundation for a recovery of the stock market later this year.

The Group had formed a joint venture with a Chinese medical practitioner for the development of Chinese health and herbal products which are expected to be launched in the market in the second half year after satisfactory completion of the safety tests.

With the commitment of the staff and a strong financial position, the Directors are optimistic that the Group's performance in the second half year will be improved.