

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

During the year ended 30th June, 2002, the Group's total turnover decreased by approximately 44.3% to HK\$133,657,000. Profit attributable to shareholders fell by 55.6% to HK\$7,414,000.

Basic earnings per share amounted to HK0.60 cents for the year. As at 30th June, 2002, net asset value per share amounted to HK61.3 cents.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's principal source of funds for the year ended 30th June, 2002 is derived from interest income, total cash so generated amounted to HK\$45.4 million.

As at 30th June, 2002, the Group had cash balances of approximately HK\$153.9 million and investments in securities at a value of approximately HK\$582 million. Investments in securities comprised of equity securities of approximately HK\$12 million and debt securities of approximately HK\$570 million. All debt securities held by the Group were of good investment grades. They were denominated in US dollars and with maturity dates from 7 to 30 years or perpetual callable. With the continuous easing of interest rates, the Directors are optimistic that the investments in debt securities would yield satisfactory returns to the Group.

The Group also has unutilised import-related and other banking facilities of approximately HK\$20 million provided by its principal banker in Hong Kong.

### **USE OF PROCEEDS FROM NEW ISSUE**

As reported in the Company's 2001 annual report, the Group had changed the use of part of the proceeds from the new issue in 1995 which amounted to HK\$254 million for the following purposes:

- (a) approximately HK\$15 million for developing the Group's own brand "IXESSE" in Hong Kong and China and to enhance the image and popularity of the brand;
- (b) approximately HK\$50 million to acquire plant, machinery, office setup and equipment to expand and improve the Group's own manufacturing facilities in Guangzhou, China for the production of clothing, leather goods, accessories or other related products; and
- (c) the remaining balances of approximately HK\$189 million for herbal and health products, skin care and pharmaceutical products and other business ventures.

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In year 2000/2001, the Group spent approximately HK\$2 million in promoting its own brand "IXESSE" in China. In the year under review, the Group spent approximately HK\$1.3 million in promoting its own brand "IXESSE" in China, approximately HK\$18.5 million in acquiring plant, machinery and equipment for the manufacturing facilities in China, and approximately HK\$94,000 in research and development of herbal and health products.

### **CAPITAL STRUCTURE**

As at 30th June, 2002, the Company had 1,228,896,400 shares in issue with total shareholders' funds of the Group amounting to HK\$753.3 million.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June, 2002, the Group employed approximately 213 full time employees in Hong Kong and the People's Republic of China. The Group remunerates its employees based on their performance, experience and prevailing industry practice. Employee benefits provided by the Group include a provident fund scheme, medical scheme, discretionary performance-related bonus and a share option scheme.