

RESULTS

During the six months ended 30 September 2002, the net profit attributable to shareholders amounted to approximately HK\$0.7 million (2001: loss of approximately HK\$16.9 million). Basic earnings per share for the six months ended 30 September 2002 amounted to approximately HK0.004 cent per share (2001: loss of HK0.096 cent per share).

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 September 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

Garments and leatherware products

The Group continues to promote and market its men's leather and non-leather garments through its high-end "GIOVANNI VALENTINO (Italy)" brand. During the period, the Group expanded the product categories of "GIOVANNI VALENTINO (Italy)" brand into Shoes and Leatherware products. Despite that the business under these new product categories are relatively small at present in comparison to the men's garments categories, the Directors are of the view that the image of "GIOVANNI VALENTINO (Italy)" brand will be enhanced and strengthened with a more diverse and comprehensive range of product categories.

In addition to the leatherware products promoted through "GIOVANNI VALENTINO (Italy)" brand, the Group through the Unicon Spirit Group acquired last year also manufactured leatherware products for exports.

The Group's leather garments were mostly marketed through its mid-end "DENNY" brand. With the saturation of the leather garments market as well as the vigorous competition within its business segment, the business of "DENNY" brand continued to shrink and management decided to drop this brand during the period.

The combination of the above factors has resulted in a decrease of the division's turnover while the result of the division was reversed from loss to profit as compared to that of the last corresponding period.

The directors believe that by concentrating its efforts in the high-end "GIOVANNI VALENTINO (Italy)" brand and diversifying its product categories will improve the results of this division in the long run.

Properties trading

The Group continued to market its remaining units of the property located in Tianjin, PRC and generated a revenue of approximately HK\$1.1 million during the period. At present, there are signs of over-supply in the property market in China, the directors will adopt a prudent approach in evaluating prospective new property projects should opportunities arise.

Leather materials

The leather materials business was involved in the trading and processing of raw leather materials in China. The price of raw leather was quite volatile during the period. As such, management has decided to withhold its pace of development in this business until the market becomes more stable.

Iron ore and steel trading

As mentioned above, the Group during the period acquired Cheuk Yiu with its subsidiary Chang Yuang principally engaged in the trading of iron ore and steel. The directors believe that the acquisition of the iron ore and steel trading business can help to diversify the Group's operation and broadens its earnings base.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, there is no significant change in the capital structure of the Group.

The Group generally finances its operations with internally generated cashflows. However, the iron ore and steel trading business of Chang Yuang, the subsidiary acquired during the period as mentioned above, was largely financed by short-term bank borrowings.

As a result, the Group's gearing ratio as at 30 September 2002 increased significantly to 21% (31 March 2002: Nil) based on the total bank borrowings of HK\$23.8 million (31 March 2002: Nil) and the shareholders' fund of HK\$113.3 million (31 March 2002: HK\$112.6 million). Interest on bank borrowings is charged at commercial lending rates to the Group.

As at 30 September 2002, the Group had cash and bank balances of approximately HK\$15.7 million (31 March 2002: HK\$15.8 million) of which bank deposits of HK\$1 million (31 March 2002: Nil) were pledged to banks for facilities granted to the Group.

The operating cash flows of the Group is mainly denominated in HK\$, RMB and US\$. The directors consider these currencies relatively stable and therefore the Group's exposure to fluctuations in exchange rates is minimal.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the interests of the directors and their associates in the share capital of the Company and the shares of its associated corporations as required to be recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and the Model Code for dealing in securities prescribed by the Listing Rules of The Stock Exchange of Hong Kong Limited are set out below:

	Personal interests		Corporate/ Family interests	
	Number of shares	Number of options	Number of shares	Number of options
Director				
Mr. Cheung Ngan	107,000,000	—	—	—
Mr. Chan Chung Chun, Arnold	—	30,029,400	—	—

The above share options were granted on 27 June 1997 and are exercisable on or before 26 June 2007 at a price of HK\$0.537 per share.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other beneficial interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the six months ended 30 September 2002.

SUBSTANTIAL SHAREHOLDERS

No person had registered an interest amounting to 10% or more of the issued share capital of the Company at the balance sheet date pursuant to Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period covered by the interim report, except that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provision of the Company's bye-laws.

AUDIT COMMITTEE

The audit committee, which comprises two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2002.

By Order of the Board

Cheung Ngan

Chairman

Hong Kong, 23 December 2002