

## RESULTS

During the six months ended 30 September 2003, the Group's turnover increased by 16% to HK\$85.3 million (2002: HK\$73.7 million) as compared to that of last corresponding period. The increase in turnover was largely due to the increase in iron ores and steel trading business acquired in July 2002 which was partially set off by the decrease in consumer products business as a result of the termination of the trademark licence of "GIOVANNI VALENTINO (Italy)" brand during the period.

Gross profit for the period decreased by 47% to HK\$7.8 million (2002: HK\$14.8 million) as compared to that of last corresponding period. The decrease in gross profit was attributable to the comparatively lower gross profit margin of the iron ores and steel trading business acquired in July 2002 as compared to the consumer products business.

There was a net loss attributable to shareholders of HK\$10.1 million for the period (2002: profit of HK\$0.7 million). Basic loss per share for the period was HK0.057 cent per share (2002: profit of HK0.004 cent per share).

## INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 September 2003 (2002: Nil).

## BUSINESS REVIEW AND PROSPECTS

### Consumer products business

The Group's consumer products business comprise mainly manufacture, wholesaling and distribution of leather and non-leather garments, shoes and leatherware products, in particular under the high-end "GIOVANNI VALENTINO (Italy)" brand.

As mentioned in the Company's 2003 annual report, despite lots of resources and management time were spent to maintain, protect and defend the "GIOVANNI VALENTINO (Italy)" brand in PRC, the PRC market was still saturated with confusingly similar brand names and counterfeit products. As a result, the Group terminated the trademark licence of "GIOVANNI VALENTINO (Italy)" brand in May 2003 and stopped the business of this brand in PRC during the period.

At present the Group continues its business in the manufacture, trading and distribution of its leatherware products primarily for exports.

Nevertheless, in view of the rapid economic growth in PRC, demand for high quality and prestigious brands in PRC remains brisk. The directors believe that the consumer products market in PRC still provides enormous opportunities for the Group and as a result, the Group is now in the process of negotiating with some overseas and local brand owners for any potential trademark licence for the PRC market and other parts of the world.

#### **Properties trading**

All the remaining nine units of the properties located in Tianjin, PRC were sold during the period. As mentioned in the Company's 2003 annual report, there were signs of over-supply in the property market in PRC, the directors would adopt a prudent approach in evaluating new property projects should opportunities arise.

#### **Leather materials**

Due to unstable supply and volatility of raw leather materials price, the Group temporarily suspended the raw leather materials business during the period until situation improves.

#### **Iron ores and steel trading**

The iron ores and steel trading business acquired in July 2002 was involved in the sourcing and importing of iron ores and steel from overseas into PRC. It has made a commendable contribution to the revenue of the Group.

With the prosperity of the construction sector and car industry in PRC, the demand for iron ores and steel materials will continue to increase and, in this regard, the Group has prepared to expand its existing customers in the Central-eastern coastal provinces to North-eastern provinces of PRC in the forthcoming year.