



# Operations Review and Prospects

## Marketing of quality products

To cope with the keen price competition in the apparel industry, the Group has introduced and implemented certain marketing plans. In order to promote our fashion products to our target audiences, various fashion shows were held in different locations during the year under review to demonstrate a wide range of fine fashion designs of the Group's in-house designers. In order to differentiate its products from its competitors' and to tackle the price reduction in the industry, the Group will continue to stick to its principle of providing quality products and to respond quickly to the market. Our marketing team has also organized a number of promotional campaigns in the past twelve months.

## Expansion and re-arrangement of retail network

During the year, the Group's retail outlets in Hong Kong increased from 19 shops to 22 shops. The total number of boutiques as of today is 24 including two more shops for *Cour Carré* and *Due G* which commenced operation in April 2001 at New World Centre. To further improve the shopping environment and to increase customers flow, extensive renovation works have been carried out and more shops are scheduled to be renovated in the near future. Moreover, certain retail outlets were renamed from *Gay Giarno* to *Due G* so as to facilitate the expansion of *Due G* within a short time frame and in a more cost-effective way.

## Development of New Brand Name Collections of Apparel and Accessories

Different from the two brand names, *Gay Giano* and *Cour Carré*, which have already established their status in serving a relatively mature customer segment, *Due G* is a rather new brand name which targets on younger customers. In order to increase customers' awareness of this brand name, the number of shops of *Due G* has been increased from 3 to 7 during the year under review. In order to cater for the youth market, the Group has invited a famous local designer, Mr. Eric So, to design two types of action figures and a collection of casual wear. Management is confident that this new market segment will have positive contribution to the Group's profit margin.

## PROSPECTS

### PRC retail market

The Group has targeted the People's Republic of China (the "PRC") as its next market in Asia. To strengthen the existing franchise network, a new retail outlet has been opened in Shanghai to function as a showroom for the franchise operation in the long run. In view of the continued growth of the economy in the PRC, Management believe that to expand to this market will hold good promise for the Group's future growth.

### Product diversification

Other than selling the typical fashion products, Management will try to seek more profit-making opportunities by diversifying the Group's products and to widen the choices of our complementary accessories. Meanwhile, the Group is seeking business partners to diversify its product range. In April 2001, the Group entered into a co-operation agreement with Sun

Hing International Group Limited ("Sun Hing") and granted an exclusive right for Sun Hing to manufacture and sell optical products and, in limited circumstances and through retail outlets specified, under the brand name of *Cour Carré*.

The Group's licensing strategy is to leverage the Group's brand image by licensing for related product categories, increasing awareness for the Group's brands and entering into new distribution channels, increasing floor space in existing distribution channels, increasing the advertising and overall promotion of the Group's brands, and generating an increased stream of royalty revenues that provides a balance to the Group's wholesale and retail business.

### Managing information system

The Group is upgrading its existing management information system. The new system will be able to provide real-time information for the retail network and inventory movements in Hong Kong. After improving of the system, the information of retail sales and inventory movements in the PRC will also be running on a real-time basis. In addition we are trying to integrate the system into the production process. With the aids of information system, the Group's overall control will be operated effectively.

### Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude for the shareholders' support and the dedicated effort of the management and employees for their hard work. Without their support, Gay Giano International would not have been able to become a prominent player in the international fashion field. We will endeavour to bring the best benefits to our shareholders.