

# Management Discussion and Analysis

## Liquidity and financial resources

Cash generated from the Group's operating activities amounted to approximately HK\$7.0 million (2000: HK\$28.5 million). During the year, approximately HK\$13.6 million (2000: HK\$2.6 million) was spent on capital expenditures and approximately HK\$2.9 million (2000: HK\$2.5 million) in payment of tax liabilities while HK\$46 million was generated by public issuance of the Company's share. The Group recorded a net inflow of cash of approximately HK\$6.1 million for the year (2000: HK\$3.5 million) and repaid aggregated net bank and other loans of HK\$13.4 million. (2000: draw down of HK\$10.3 million).

The Group has trade finances, short-term loans and overdraft facilities with banks and financial institutions totalling over HK\$49.2 million (2000: HK\$49.6 million). As of 31 March 2001, the total outstanding short-term borrowings stood at approximately HK\$41.3 million (2000: HK\$32.8 million) and long-term borrowings amounted to HK\$8.1 million (2000: HK\$16.8 million).

## Capital expenditure

Capital expenditures approximately HK\$13.6 million (2000: HK\$2.6 million) for the year ended 31 March 2001. These expenditures were invested in a new warehouse acquisition and to expand and re-arrange our retail network which increased 9,589 square feet storage space and 958 square feet of net retail outlet space. Part of the new issue proceeds was applied to finance the above capital expenditures.

## Investment in properties

The Group's investment properties were valued at HK\$23.5 million (2000: HK\$26.6 million) at 31 March 2001 by FPD Savills (Hong Kong) Limited on an open market value existing use basis.

Properties owned in Hong Kong: Revaluation deficits of approximately HK\$3.1 million (2000: HK\$1.2 million) has been debited to investment property revaluation reserve due to diminution in values. All the owned properties have been leased out at market rates.

Properties leased in Hong Kong: the Group leases 22 (2000: 19) boutiques from independent third parties with a total floor area of 37,878 sq.ft. (2000: 36,920 sq.ft.). The

Group also leases certain units at Siu Lek Yuen, Shatin, New Territories as warehouse and office space.

Property leased in the PRC: the production facilities and dormitories of the Group are located in Shediju, Shenzhen, PRC.

## Application of proceeds of new issue

The Group raised approximately HK\$46 million net of related expenses from issuing 50 million new shares in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 13 April 2000.

Including and up to the date of this report, the net proceeds from the new issue have been applied as follows:

- Approximately HK\$11 million for the expansion of the *Gay Giano*, *Cour Carré* and *Due G* boutiques in Hong Kong;
- Approximately HK\$4 million for the development and expansion of the Group's franchise network;
- Approximately HK\$2 million for the research and development of new fashion products;
- Approximately HK\$5 million for the repayment of bank borrowings; and
- Approximately HK\$16 million as additional working capital.

The balance of the proceeds of HK\$8 million, which has been placed on short term deposits with a bank, is set aside for the expansion of the *Gay Giano*, *Cour Carré* and *Due G* boutiques in Hong Kong and the expansion of the the Group's franchise network in the coming seasons.

## Employees and remuneration policies

As of 31 March 2001, the Group had employed approximately 263 (2000: 216) full-time employee in Hong Kong and approximately 592 (2000: 682) full-time employee in the PRC. The total number of full-time employee of the Group is 855 (2000: 898).

On 5 February 2001, the Group adopted a share option scheme whereby employees of the Group, upon the Board of Directors' discretion, may be granted options to acquire shares in the Company.

