

# Management Discussion and Analysis

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Regional Market

The Group ended the year with a total turnover of approximately HK\$155,570,000, an increase of 6.7% compared to that of approximately HK\$145,754,000 last year, of which HK\$79,849,000 (51.3%) arose from mainland China; HK\$49,796,000 (32%) from Japan; HK\$20,340,000 (13%) from North America. With the Group's sustained efforts to develop markets in the PRC and North America, turnovers in these 2 regions recorded satisfactory growth. However, due to continued recession in Japan, turnover from the region decreased by 19.5% when compared with last year.

### Product Range

The ratio analysis for major product range attributable to the Group's turnover in 2001 is as follows: 69.7% for fur garments (2000: 63.9%); 28.2% for fur skin trading (2000: 35.5%). During the period, the Group has devoted more efforts to the sales of fur garments, leading to a decrease in turnover of fur skin trading by 15.2% when compared with the corresponding figure last year.

### Liquidity and Financial Resources

The Group generally derives cash for operation from internal cash flow and facilities from Hong Kong banks. During the year ended 31 March 2001, the Group had net cash flow of HK\$36,057,000 (2000: 38,255,000). As at 31 March 2001, the Group's bank loan amounted to HK\$29,302,000 (2000: HK\$3,106,000) and the shareholders' fund amounted to HK\$210,653,000 (2000: HK\$200,832,000). Accordingly, the gearing ratio is 14% (2000: 1.6%).

As far as financial position is concerned, the Group has always adopted a cautious policy. There are no long-term debts and the Group has sufficient funds for future business expansions.

### Employees

As at 31 March 2001, the Group employed around 400 employees in both Hong Kong and the Mainland. The Group continues to provide remuneration packages, including share options to its employees based on prevailing market conditions.

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### USE OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING OF SHARES IN OCTOBER 1997

The Group raised approximately HK\$88 million, net of related expenses, from the issue of 100 million new shares at HK\$1.00 per share in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 9 October 1997. As of today, the net proceeds have been applied as follows:

- as to approximately HK\$3.4 million for development of the Group's own brand names;
- as to approximately HK\$6.3 million for acquiring new equipment, fixtures and machinery in order to increase the Group's production capacity; and
- as to approximately HK1.2 million to develop and to finance the establishment of retail outlets in the PRC
- as to approximately HK\$18 million for additional working capital of the Group.

The balance of the proceeds of approximately HK\$59.1 million remained unused and was either placed as short term deposits or invested in listed debt securities. It will be applied to develop the Group's own brand names, to extend the existing processing agreement in Dongguan in the PRC for manufacturing of fur garments, to further acquire new equipment, fixtures and machinery to improve productivity and to finance the establishment of retail outlets in the PRC.