MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Turnover for this period amounted to approximately HK$43,433,000, representing a decrease of approximately 29% as compared to that of last corresponding period. Net ptofit attributable to shareholders amounted to approximately HK$322,000, representing an improvement of approximately 362% as compared to that of last corresponding period.

Business Review

The slow down of the United States of America ("U.S.") economy beginning this year has triggered off the global economic downturn. Clouded by a series of unfavourable political and economic factors, most of the Group's export business to the U.S. and European markets have reduced. This global economy recession also has an impact on the People's Republic of China ("China") consumer spending power and affected the Group's business over there. On the other hand, the Group recorded a significant improvement in its export business to the Japan market over the period. However, the sales growth over the Japan market was outweighed by the downturn of the rest of the world. As a result, the growth of the Group business has also been adversely affected.

As the Group has been exercising prudent cost control strategies into place and improving its productivity as well as quality, the impact of the economic downturn on the Group has been reduced. With the improvement in overhead control, inventory utilization as well as quality control and productivity, the Group was able to improve the overall result for the period under review.

Outlook

The global economy looks set to remain stagnant until at least the first half of 2002, especially after the September 11 incidents. By diversifying product mix and reallocating resources, however, the Group is well placed to maintain its market position despite of such global economic uncertainties.

The entrance of China into WTO has brought unprecedented business opportunities to the market. Increasing foreign investments are attracted into the China market. This will indirectly improve the consumer spending power in China as well as the demand for fashionable garments. The Group is well prepared in grasping any promising opportunity in the fast growing market in China.

Though the U.S. and European markets was not promising, the Group will continuously adopt careful but aggressive marketing strategies to enhance the relationship with customers over there, so as to maintain and hope to increase the sales to these markets. On the other hand, the Group will continuously strengthen its relationship with the Japanese customers in order to further improve the sales to Japan market.

As the global economy is uncertain, the Group will continuously exercise prudent measures to control its costs, improve its productivity and quality to improve its profitability.

With the accumulated valuable experience, flexibility in managing changes, a long established goodwill and close relationship with customers, the Group is confident and has the ability to sustain its established position in the industry.

Employees, Training and Remuneration Policy

The Group continued to follow a prudent approach towards the size of the workforce and remained committed to its staff training. There is no material change in the information as compared to the most recently published annual report.

The Group remunerates its employees largely based on industry's practice. In China, the Group provides staff welfare and bonus to its employees in accordance with the prevailing labour laws. In Hong Kong, the Group provides staff benefits, including performance related bonus, year end double pay, Mandatory Provident Fund retirement benefits scheme and other subsidies.

Capital Expenditure

During the period under review, there is no material capital expenditure for business development. The major expenditure was the purchase of a fur trimming machine of about HK$250,000. With this machine, it can improve the product quality of fur garments. As of today, there is no plan for any material investments or capital assets to be acquired till the end of this financial year.

Liquidity and Financial Resources

The Group generally finances its operation with internally generated cash flows and banking facilities provided by its principal bankers in Hong Kong. The Group currently has aggregate composite banking facilities of approximately HK$61,050,000.

As at 30 September 2001, the Group's net current assets is approximately HK$77,838,000 (as at 31 March 2001: HK$77,310,000). Total cash and bank balances and pledged bank deposuits decrease from HK$44,335,000 to HK$27,388,000; whereas, bank overdrafs and trust receipt loans also decreased from HK$41,122,000 to HK$14,261,000. The reduction in pledged back deposits was used to reduce its bank overdrafts outstanding. This move helped to minimize the difference in interest rates and resulted in overall reduction in interest expenses. Inventories decreased from HK$54,394,000 to HK$48,864,000, due to improved utilization and control of stocks on hand during the period. Trade and bills receivables decreased by approximately 22% to become HK$25,013,000; whereas, trade and bills payables increased slightly by approximately 17% to become HK$5,092,000, mainly due to seasonality of sales and improved control over receivables.

The Group's gearing ratio at the period end is 0.23 (as at 31 March 2001: 0.49), which was calculated based on the total liabilities of HK$26,128,000 (as at 31 March 2001 : HK$56,227,000) and shareholders' funds of HK$115,340,000 (as at 31 March 2001: HK$115,018,000). The improvement of gearing ratio was the results of reduction in utilisation of trade finance.

Financial Risk Management

The Group's income and expenditure streams are mainly denominated in Hong Kong dollars, United States dollars and Renminbi.

In the normal course of business, the Group is exposed to fluctuation primarily in these currencies and in prices of key raw materials. These currencies have been quite stable and so far do not have any material impact to the Group. When these currencies fluctuate, the group will adjust its selling prices to customers to cover these currencies fluctuation.

Payment terms with customers are mainly on letter of credits, cash on delivey and on credit terms. In order to minimize the credit risk associated with trade debtors, the Group is very cautious in granting credits. Credit terms granted vary among individual customers.