

Operations Review and Prospects

Operations Review

Marketing of Quality Products

Part of our marketing strategy is to boost brand recognition as creative stylish and at the same time price competitive. We were able to demonstrate a wide range of fine fashion designs, thus differentiating our products from competitors, as well as demonstrating price reduction in the industry, by responding quickly to the market. The joint promotional campaigns in the 2001 fall/winter season have a remarkable return. The Group will persist in applying different kinds of promotional strategies to maintain the Group's turnover level and its market share.

Retail Network

During the year, the Group maintains its 24 retail shops. With our high quality products, innovative design and good service attitude, all of our three brands continue to maintain their target customers. Gay Giano and Cour Carré have already established a good reputation in executive apparel market which enable the products of these two brands to gain a relatively high market share. On the other hand, Due G, which is a younger brand of the Group, is still under keen competition of the youth market. Some improvement had been achieved during the year and the management will consider further arrangements to cope with this rapid changing market in the coming year. The management believe that all three brands will continue to make contribution to the Group.

Licensing Strategy

Since April 2001, the co-operation with Sun Hing International Group Limited ("Sun Hing") of granting an exclusive right to manufacture and sell optical products under the brand name of Cour Carré has turned out to have a considerable result. Resulted from that the Group has achieved a gratified result of royalty income for the year. Besides, licensing is also viewed as the most cost-effective and low-risk method to develop our market. The Group will continue to pursue this licensing strategy by actively looking for more potential franchisee as Sun Hing for utilizing our brand name in more efficient manner to explore international markets.

Managing Information System

The installation of the upgraded management information systems ("MIS") in both Hong Kong and the PRC offices has been completed and a smooth and satisfactory operation has been recorded. MIS together with the newly developed MRP system, management will be able to oversee the whole production progress, largely increase the efficiency of quality and manpower control.

PROSPECTS

Looking forward, the Group will continue to seek for growth opportunities through licensing strategy. Focus will be put on innovation in marketing strategies and product design. In general, the Group is beginning to be benefited from its strict cost control and inventory control from MIS in the coming year and management is optimistic that the Group will be benefited from these action plans.

Appreciation

Last but not least, I must thank all those support the growth of the Group - shareholders, management and employees. Their integrated effort makes it possible for the Group to supply the best products and services to the market.

