



Management Discussion and Analysis

Liquidity and Financial Resources

At as 31 March 2002, net current assets and current ratio of the Group were approximately HK\$23 million (2001: HK\$24 million) and 1.52 (2001: 1.37), respectively. The current assets mainly comprised inventories of approximately HK\$46.7 million (2001: HK\$59.6 million), accounts receivable of approximately HK\$3.6 million (2001: HK\$3.7 million) and cash and bank balances of approximately HK\$7.1 million (2001: HK\$12.6 million). The Group had total assets of HK\$123.5 million (2001: HK\$149.4 million), current liabilities of HK\$43.4 million (2001: HK\$65.1 million), non-current liabilities of HK\$6.8 million (2001: HK\$8.6 million) and shareholders' equity of HK\$73.3 million (2001: HK\$75.6 million).

The Group has improved capital structure with decreased overall gearing ratio from 65% previous year to 34% this year with total borrowings of HK\$25.2 million (2001: HK\$49.4 million) and net worth of HK\$73.3 million (2001: HK\$75.6 million) as at 31 March 2002. Overall gearing ratio is defined as the total borrowings over the net worth at 31 March 2002.

The Group recorded a net cash inflow from operating activities of approximately HK\$4.5 million for the year (2001: HK\$7.0 million) and repaid aggregated net bank and other loans of HK\$1.7 million. (2001: HK\$13.4 million).

Treasury Policies

The Group generally finances its operations with internally generated cash flows, short-term loans and overdraft facilities provided by banks in Hong Kong. Cash generated from the Group's operating activities amounted to approximately HK\$4.5 million (2001: HK\$7.0 million). As of 31 March 2002, the total outstanding short-term borrowings stood at approximately HK\$19.1 million (2001: HK\$41.3 million). Borrowing methods used by the Group mainly include overdrafts and bank loans. The interest rates of most of these are fixed by reference to the Hong Kong dollar prime rate. The Directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditures.

Capital Expenditure

Capital expenditures amounted to approximately HK\$4.2 million (2001: HK\$13.6 million) for the year ended 31 March 2002. These expenditures were used to expand the retail network which increased 4,204 square feet of net retail outlet space.

Pledge of Assets and Contingent Liabilities

At 31 March 2002, the Group pledged leasehold land and buildings and certain investment properties in Hong Kong with an aggregate net book value of HK\$8 million (2001: HK\$8 million) and HK\$22 million (2001: HK\$23 million) respectively. A bank deposit of HK\$2 million (2001: HK\$2 million) was also pledged. At 31 March 2002, the Group had no significant contingent liabilities (2001: Nil).

Investment in Properties

The Group's investment properties were valued at HK\$22 million (2001: HK\$23 million) at 31 March 2002 by FPD Savills (Hong Kong) Limited on an open market, existing use basis.

Properties owned in Hong Kong: Revaluation deficits of approximately HK\$1.4 million (2001: HK\$3.1 million) has been debited to investment property revaluation reserve due to impairment in values. Certain owned properties have been leased out at market rates.

Properties leased in Hong Kong: the Group leases 24 (2001: 22) retail outlets from independent third parties with a total floor area of 42,082 sq.ft. (2001: 37,878 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.

Segment Information

The following table presents revenue and results information for the business segments of the Group.

	Fashion apparel		Property investment		Corporate and Other		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:								
Sales to external customers	244,918	239,182	-	-	-	-	244,918	239,182
Other revenue	1,189	84	840	984	979	74	3,008	1,142
Total	246,107	239,266	840	984	979	74	247,926	240,324
Segment results	3,815	13,250	384	859	(1,745)	(1,378)	2,454	12,731
Interest income							120	1,094
Profit from operating activities							2,574	13,825
Finance costs							(3,014)	(4,708)
Profit/(loss) before tax							(440)	9,117
Tax							(449)	(758)
Net profit/(loss) from ordinary activities attributable to shareholders							(889)	8,359

Fashion apparel is the major segment of the Group. It's segment profit was decreased from HK\$13.3 million last year to HK\$3.8 million this year. This reduction is mainly due to a substantial decrease of turnover in September 2001 after "911 incidence". As there is no major disparity of other two business segments of the Group no analysis for separate result is provided.

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\$10 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\$2 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 Group's franchise network in the coming seasons.

Employees and Remuneration Policies

As of 31 March 2002, the Group had employed approximately 255 (2001: 263) full-time employee in Hong Kong and approximately 482 (2001: 592) full-time employee in the PRC. The total number of full-time employee of the Group is 737 (2001: 855). The Group has a share option scheme for the benefit of its directors and eligible employees of the Group. A new share option scheme will be proposed to the shareholders for approval at the forthcoming annual general meeting.

Foreign Exchange Exposure

The Group had limited exposure to fluctuation in foreign currencies as most of its transactions were conducted in Hong Kong dollars and Renminbi. Exchange rates between these currencies were relatively stable during the year under review. However, the recent fluctuation of the exchange rate of EURO may render the Group suffers a greater exchange risk as in the forthcoming year, certain amount of the Group's raw materials are sourced from European countries.