

# Chairman's Statement

A weak global economy prevailed during the fiscal year, and this presented many challenges for businesses in every sector, particular for retail market. The prolonged slump of the worldwide economy and the high unemployment rate discourages the overall consuming willingness of retail market in Hong Kong. The result of the Group was inevitably suffered in this adverse retail environment. Nevertheless, reflecting the Group's ongoing efforts to constantly improve its business, strategic measures were taken to consolidate and rationalize the Group's operation. During the year, in order to catch up the competitive market, certain non-performing shops were successfully ceased, mainly under the brand of Due G, which were under keen competition in teenager appeal market, and the rigorous inventory management of the Group's entire retail network was also enhanced.

## Results and Operation Review

For the year ended March 31, 2003, the turnover of the Group was approximately HK\$151 million (2002: HK\$245 million) and the net loss for the year was approximately HK\$29 million (2002: HK\$0.1 million). The reduction in turnover during the year is mainly due to the sluggish market condition in the prolonged slump of the worldwide economy. The price of the products of the group faced a great deflationary pressure under the keen price competition of the competitors. The consuming willingness of our customers was further affected by the outbreak of "SARS" during March 2003. The negative impact of SARS affected the seasonal improvement in the second half of the reporting year of the Group. Besides, although the closure of certain non-performing shops resulted an instance reduction in the total turnover for the year, such measures allow the business of the Group to be recovered and it is beneficiary for the Group in the long run.

Despite the decrease in turnover, the margin of the Group improved to 59%, as compared to 57% in the corresponding period of last year. The improvement indicated a recovery of margin following our high quality products with the effective marketing and cost control strategies.

During the year under review, the effective cost control and strategic measures taken during the last fiscal year considerably reduced the overall operating expenses of the Group by 16% from approximately HK\$141 million for the corresponding period of last year to approximately HK\$119 million this year. As the operating expenses in this year also included approximately HK\$5 million non-recurring closure cost of the non-performing retail outlets, the effort of cost reduction program could not cover the impact of adverse market condition in Hong Kong. However, the effectiveness of the cost reduction program is expected to be more extensive in the coming fiscal year.

## Marketing

Maintaining high brand recognition within competitive price range continued to be the key factor of our marketing strategy. In this year, Gay Giano has been elected as one of the "Superbrands" in Hong Kong. This reward indicates that the products of the Group are widely admired by the public and recognizes the valuable input by all of our employee. It also enables the Group to strengthen the brand's recognition in apparel market and gain the confidence of the customers. To keep the abreast of the latest apparel market, Gay Giano created a new weekend line in 2002 summer - "Gay Giano Red Label". This new product line is designed in a casual and chic fashion, and is made with quality raw materials and superior craftsmanship. In order to increase public awareness of our three well-established brands, the Group has implemented certain marketing and promotion programme such as corporate image advertising, customer loyalty programme and different kind of joint promotion.

## Retail network

During the year, renovation works have been carried out in some of the Group's existing retail outlets to improve the image of the retail network of the Group. We believe that other than the quality of our products and services, to provide a more comfortable shopping environment to our customer is another key to increase customer flow.

## **Licensing strategy**

The Group continued to maintain the co-operation relationship with Sun Hing International Group Limited of granting an exclusive right to manufacture and sell optical products under the brand name of Cour Carré in the return of royalty income. The Group believes that the continuous development of licensing will provide a low-risk and cost effective way to develop potential market. As our brands had registered in many major countries over the world, the Group will continue to pursue this licensing strategy by seeking other potential co-operation partner in order to seek a more efficient way to globalize our market.

## **Management information system**

The well-established management information system and the MRP system facilitate the management to oversee the production progress and make appropriate management decisions efficiently. During the year, the newly developed POS (point-of-sale) system enable the management to handle the retail data in an efficient way so as to minimize the operating costs in inventory level. Moreover, the POS system can also assist help our sales team to capture and analyze the customer's purchase history which allow the management to understand and analyze the consuming behaviours to determine a more flexible marketing and operational strategy.

## **Prospects**

The Group will keep focus on product design, marketing strategy and will impose strict cost and inventory control. At the same time, management will continue to seek for growth opportunities through licensing strategy and the recent arrangement of CEPA between Hong Kong and PRC. However, under the current unfavorable market conditions in Hong Kong, the management remains cautious to the performance of the coming fiscal year.

## **Appreciation**

On behalf of the Board of Directors, I would like to extend my sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continued support. May I also thank my fellow director and our staff for their dedication and contribution.

**Cheung Yin Sheung Subraina**

*Chairman*

Hong Kong  
July 25, 2003



