



Chairman's Statement

Results and Operation Review

For the year ended March 31, 2004, the turnover of the Group was approximately HK\$122 million (2003: HK\$151 million) and the net loss for the year was approximately HK\$8 million (2003: HK\$29 million). During the year, management had imposed different types of strategies in order to improve the overall performance of the group. However, the outbreak of SARS slowed down the pace of the much-anticipated economic recovery in Hong Kong. The reduction in turnover represented the net effect of the relatively weak sales performance during SARS period in the first quarter and the recovery of retail market under the policy of relaxing the traveling restriction on the PRC residents to visit Hong Kong in the second half of the fiscal year.

With our efforts devoted to stringent cost control, inventory and margin management during the year, the gross profit improved from 59% in last year to 63% in this year. As the scale of the improvement in gross profit ratio in this fiscal year was partly impaired by the weak market environment during SARS period, we expect the gross profit ratio in the coming fiscal year may be further improved under the existing economic environment. Even more encouragingly, with the shop consolidation strategy and the prudential financial management policies, the overall operating expenses of the Group for the year decreased by 27%.

Compared to the interim result, a substantial part of the loss of HK\$15.6 million for the six months ended September 30, 2003 has been recovered mainly due to the strong recovery of the retail market in Hong Kong and the effort contributed both from the management and our employees.

Providing sophisticated yet contemporary apparel products whilst striving a commitment to best value for money had long to be the Group's marketing direction. To cultivate the brand images and promote our products, the Group has implemented certain marketing and promotional programme such as corporate image advertising and customer loyalty programme. Renovation works have been carried out in certain existing retail outlets in order to uplift the image of our brands and the shopping environment to our valuable customers.

After Gay Giano had been elected as one of the "Superbrands" in previous year, Cour Carré, also be awarded as one of the "Superbrands" in this year. These rewards further enhance the brands recognition and confirm our effort to provide extraordinary apparel products. We will endeavor to the best of maintaining the brands recognition by means of various marketing strategies and products development.

To fully utilize the strength of our brands recognition, the group continued to maintain certain licensing relationship with our co-operative business partners. As another step towards improving the efficiency of diversify our brands, we are in the midst of pursuing this licensing strategy by seeking other potential co-operative partners.

Prospects

The recent strong recovery of global economy and the relaxation of the traveling restriction on the PRC residents to visit Hong Kong will speed up the pace of recovery of the retail market in Hong Kong. With our high quality products and its brands recognition, improving gross profit ratio and various effective cost and inventory control policies, we believe that the performance of the coming fiscal year can be benefited in this recovery economic environment. The Group may seek for any business opportunities other than the existing core business in retail industry in order to maximize the shareholder's benefits.

Appreciation

On behalf of the Board, 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 directors and our staff for their dedication and contribution.

Cheung Yin Sheung Subraina
Chairman

Hong Kong

July 23, 2004

