



MANAGEMENT DISCUSSION AND ANALYSIS

Regional Market

The Group recorded a turnover of approximately HK\$184,271,000 for the year ended 31st March, 2005, an increase of 56.5% when compared to the figure of the corresponding period last year of approximately HK\$117,774,000. Turnover mainly attributed to the export business, of which approximately HK\$23,809,000 (13%) from Japan; approximately HK\$21,399,000 (12%) from North America; approximately HK\$119,908,000 (65%) from Hong Kong, Macau and Mainland China and approximately HK\$19,155,000 (10%) from other regions.

Product Range

The ratio analysis for major product range attributable to the Group's turnover for the year ended 31st March, 2005 is as follows: 39.3% for fur garments (2004: 53.6%); 60.7% for fur skin trading (2004: 46.4%). Turnover from fur skin trading recorded an increase of 104.6% when compared to the corresponding period last year.

Liquidity and Financial Resources

The Group generally derives cash for operation from internal cash flow and facilities from Hong Kong banks. As at 31st March 2005, the Group had cash and cash equivalents of approximately HK\$69,255,000 (2004: HK\$47,947,000). As at 31st March 2005, the Group's bank and other borrowings amounting to HK\$55,199,000 and HK\$6,195,000 respectively (2004: bank borrowings of HK\$18,094,000), and shareholders' funds amounted to HK\$267,165,000 (2004: HK\$269,779,000). Accordingly, the gearing ratio is 23% (2004: 7%).

As far as financial position is concerned, the Group continues to adopt a cautious policy. There are no long-term debts and the Group has sufficient funds for future business expansions and diversification in investments.

Foreign Exchange Exposure

The Group's businesses are mainly conducted in US Dollars and Renminbi, with minimal exposure to fluctuations in foreign exchanges.

Employees

As at 31st March, 2005, the Group employed around 20 employees in Hong Kong and approximately 300 employees in the Mainland. The Group's remuneration policies are based primarily on the prevailing market wages and the performance of individual employees. Fringe benefits, including provident fund, Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus scheme for its management and staff with awards determined annually based upon the performance of the Group and individual employees.