

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT

The Group recorded a revenue from investment of approximately HK\$37,066,000 (2005: HK\$20,669,000) for the year ended 31st March 2006, of which approximately HK\$9,244,000 (2005: HK\$7,708,000) was from interest income; approximately HK\$2,826,000 (2005: HK\$1,358,000) was from dividend income; approximately HK\$13,381,000 (2005: HK\$3,505,000) was from net realised gain on investment and approximately HK\$11,615,000 (2005: HK\$8,098,000) was from unrealised gain on investment.

MANUFACTURE AND SALE OF FUR GARMENT AND TRADING OF FUR SKIN

Regional Market

The Group recorded a turnover of approximately HK\$163,681,000 for the year ended 31st March, 2006, a decrease of 11% compared to the corresponding period last year of approximately HK\$184,271,000. Turnover was mainly attributed to the export business, of which approximately HK\$19,252,000 (11.8%) was from Japan; approximately HK\$24,172,000 (14.8%) was from North America; approximately HK\$99,277,000 (60.6%) was from Hong Kong, Macau and Mainland China and approximately HK\$20,980,000 (12.8%) was from other regions.

Product Range

The ratio analysis for major product range attributable to the Group's turnover for the year ended 31st March, 2006 was as follows: 43.5% for fur garments (2005: 39.3%); 56.5% for fur skin trading (2005: 60.7%).

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 2006, the Group had cash and bank balances of approximately HK\$24,537,000 (2005: HK\$69,255,000). As at 31st March 2006, the Group's bank borrowings amounted to approximately HK\$95,836,000 (2005: bank and other borrowings amounted to HK\$55,199,000 and HK\$6,195,000 respectively). The borrowings were on short term basis to fund the Group's working capital requirements. Shareholders' funds amounted to approximately HK\$280,349,000 (2005: HK\$255,728,000). Accordingly, the gearing ratio was 34% (2005: 24%).

CAPITAL STRUCTURE

As at 31 March 2006, the outstanding loans were on a floating rate and short term basis. Basically, the currencies of bank loans were mainly drawn down in United States Dollars or in Hong Kong Dollars. Certain borrowing were drawn in Japanese Yen for specific investment hedging purpose. The combination of cash on hand, together with cash inflow from operation and liquidated financial assets, should enable the Group to satisfy its debt repayment commitments and working capital requirements.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON ASSETS

Details of charges on assets of the Company and the Group during the year are sets out in note 28 to the financial statements.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

There were no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 March 2006.

Details of significant investment of the Group held as at 31 March 2006 are set out in note 23 and note 26 to the financial statements.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 31st March 2006, the Group employed around 20 employees in Hong Kong and approximately 200 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.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31st March 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 13th July 2006 to Wednesday, 19th July 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming Annual General Meeting and payment of final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 12th July 2006.