

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

Turnover for this period amounted to approximately HK\$78,109,000, representing an increase of approximately 57% as compared to that of last corresponding period. Net profit attributable to shareholders amounted to approximately HK\$7,484,000, representing an increase of approximately 86% as compared to that of last corresponding period.

### **Business Review**

With the worldwide fashion trend was making use of fur in apparel designs, the demand for fur raw materials as well as fur garments were increasing. As a result, the Group's turnover of fur skins trading and sales of fur garments including fur trimmings recorded a sharp increase of approximately 115% and 88% respectively as compared to the last corresponding period. The major increase in sales were from the PRC and the local markets as these two places are big consumer markets as well as being manufacturers of fur apparel for exporting to the USA and European markets. With successful marketing strategy, the Group was able to improve its sales to the USA as well as Germany by approximately 380% and 25% respectively during the period. The Group was able to control its overall cost and improve its profit margin during the period under review.

### **Outlook**

Fur products have become more popular among young generation and the public, the sales of fur apparel and fur skins are expected to be active and the Group is confident in the future of this core business. The Group will continue to allocate resources on new designs, exercising appropriate measures in cost control and improving quality so as to deliver excellent quality products to the customers.

Despite of weak US dollars, USA is still a large consumer market. The Group will continuously execute aggressive but prudent marketing approach over this market hoping to improve its business as well as broaden the customer base over there.

Apart from it, the Group will continuously seek for appropriate business partners in other places, such as the PRC and Europe, so as to increase the overall sales performance.

### **Employees Remuneration Policy**

As at 30 September 2004, the Group employed around 510 employees in both Hong Kong and the PRC. The Group continues to provide remuneration packages to its employees based on prevailing market conditions.

## **Capital Expenditure**

During the period under review, there was no material capital expenditure for business development. As of today, there is no plan for any material investments or production assets to be acquired.

## **Liquidity and Financial Resources**

The Group continues to finance its operations from internal cash flows and banking facilities providing by its bankers. The Group currently has aggregate composite banking facilities of approximately HK\$67,970,000.

As at 30 September 2004, the Group's net current assets is approximately HK\$90,248,000 (as at 31 March 2004: HK\$85,563,000). Total cash and bank balances and pledged bank deposits increased from HK\$28,486,000 to HK\$30,128,000; whereas, bank overdrafts also increased from HK\$166,000 to HK\$13,220,000. Inventories increased from HK\$51,025,000 to HK\$61,375,000. Trade and bills receivables increased by approximately 150% to become HK\$25,078,000; whereas, trade payables also increased by approximately 495% to become HK\$9,571,000, mainly due to seasonality of sales.

The Group's gearing ratio at the period end is 0.23 (as at 31 March 2004: 0.06), which was calculated based on the total liabilities of HK\$28,463,000 (as at 31 March 2004 : HK\$6,869,000) and shareholders' funds of HK\$119,469,000 (as at 31 March 2004: HK\$115,155,000).

## **Financial Risk Management**

It is our policy not to engage in speculative activities. The Group's business activities were principally denominated in HK dollars, US dollars and Renminbi. The Board considered the fluctuation among these currencies as minimal and should not expose the Group to excessive currency fluctuation risk.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the period.