

# CHAIRMAN'S STATEMENT

## REVIEW OF OPERATIONS

The year ended March 31, 2001 was a significant year in the operations of the Group. The Group undertook a major restructuring in its operations by disposing of its newspaper and magazine operations, and the offset printing services in June of 2000. Additionally, there was a new management team that was introduced to the Company at this time. The disposal has permitted the new management to concentrate on developing further the activities that remain in the Group, principally the production of fine women's apparel, as well as turn its attention to expanding its business portfolio.

The Group garment subsidiaries ("Garment Subsidiaries") continue to remain healthy. The Garment Subsidiaries have managed to maintain a leading position in the market niche for sophisticated apparel work which provides higher margins and greater stability than manufacturing of basic clothing items. In addition, the Garment Subsidiaries' management team has been overhauling its operations to enhance efficiency and is working to reduce labor costs, in part, by beginning to shift its production base North. Demand for its work remains strong as it is presently maintaining back orders of six months. Thus, the Garment Subsidiaries remain well positioned for the People's Republic of China's ("PRC") pending entry into the World Trade Organization. The Group intends to roll out further expansion in the activities of the Garment Subsidiaries based on its successful track record.

## FINANCIAL POSITION AND LIQUIDITY

The financial position of the Group has improved considerably during the year ended March 31, 2001. The benefits of the disposal of the subsidiaries engaged in the newspaper and printing publications and offset printing services were two fold. First, the proceeds of the sale were used to reduce the amount of debt that the Group had accumulated. Second, and more important, the disposal has stemmed the bleeding of further resources caused by activities that have historically been operating at a loss. As a consequence, the Group managed to post a profit of approximately HK\$3.169 million for the year ended March 31, 2001 as compared with a loss of HK\$84.979 million for the corresponding period of the previous year. In addition to the restructuring of the Company, the Company managed to negotiate and reduce further its debt through a loan capitalization program effected in June 2000. As a result, the gearing ratio of the Group, which is expressed as a percentage of total borrowings to shareholder's funds, changed from 451% as at March 31, 2000 to 0% as at March 31, 2001.

The Company did maintain contingent liabilities of HK\$20 million in the form of a corporate guarantee to secure general banking facilities granted to a subsidiary. However, as at March 31, 2001 the subsidiary had only utilized approximately HK\$665,000 of the available facilities.

The Group's exposure to foreign currency risk is insignificant because of its US\$ based stream of income.

## CHAIRMAN'S STATEMENT *(continued)*

The restoration of the Group to profitability and the reduction of debt combined with approved banking facilities of HK\$20 million places the Group in a healthy position to continue its operations and expand further.

### PROSPECTS

The Company has plans to expand on its existing activities as well as diversify into new businesses. In addition to the plans to expand on its garment activities, the Group is exploring opportunities in information technology and bio-technology. The bursting of the information technology bubble has rationalized the sector and created opportunities to invest reasonably in technologies with long term potential. The Group is now engaged in discussions with a Singaporean based Japanese consortium specializing in the development and operation of children's based educational platforms. Apart from the information technology sector, the Group is pursuing projects in bio-technology. The Group has established a working relationship with several leading Beijing academics to develop projects in this sector.

### HUMAN RESOURCES

The Group maintains 32 employees. Salaries are adjusted annually and benefits such as educational grants are offered to promote the development of staff. Also, the Company is in full compliance with the Mandatory Provident Fund Scheme. There is a share option scheme in place designed to award employees for their performance at the discretion of the directors.

### APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our management team and employees for their efforts in making a smooth transition during the operational and managerial restructuring. In addition, I would also like to thank our business associates and shareholders for their confidence and continued support.

By Order of the Board  
**Ling Tai Yuk, John**  
*Chairman*

Hong Kong, June 27, 2001