INDEBTEDNESS

Borrowings, security and contingent liabilities

As at the close of business on 31st August, 2002, being the latest practicable date for the purpose of ascertaining information contained in this section prior to the printing of this prospectus, the Group had no outstanding borrowings and had not obtained any banking facilities. Also, the Group had not pledged any assets and did not have any material contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein and apart from intra-Group liabilities, the Group did not have as at the close of business on 31st August, 2002 any mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments or any guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31st August, 2002.

Practice Note 19 of the Listing Rules

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Practice Note 19 of the Listing Rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

As at 31st August, 2002, being the latest practicable date for the purpose of this statement, the Group had net current assets of approximately $7,234,000. Current assets of the Group comprised cash and bank balances of approximately $5,998,000, accounts receivable of approximately $386,000 and prepayments and deposits of approximately $1,478,000. Current liabilities of the Group comprised due to a director of approximately $301,000, accrued liabilities of approximately $110,000 and tax payable of approximately $217,000.

Borrowings and banking facilities

The Group generally finances its operations with internally generated cashflow. As at 31st August, 2002, the Group had not obtained any bank facilities.

For the three years ended 31st March, 2002, the Group's gearing ratios were zero.

Dividend

For each of the three years ended 31st March, 2002, the Group paid dividends in the amounts of approximately $14 million, $18 million and $18 million respectively, representing approximately 74%, 88% and 84% of the profit attributable to shareholders for the respective periods. On 31st July, 2002, the Group declared and paid special dividends of $6 million to its then shareholders. The payments of these dividends were financed by cash.

Potential investors should note that the above dividend payments should not be used as a reference for the Company's dividend policy. Further details on the dividend policy of the Company are set out in the paragraph headed "Profit forecast, dividends and working capital" under this section.

Payment of any future dividends will be financed from the internal resources of the Group.

Capital commitment

As at 31st August, 2002, the Group had no material capital commitment.

Working Capital

The Directors are of the opinion that, taking into account the financial resources available to the Group including internally generated funds and the estimated net proceeds from the issue of the New Shares, the Group has sufficient working capital to satisfy its present requirements.

TRADING RECORD

Summary of combined results of the Group

The following summarises the Group's combined turnover and results for the three years ended 31st March, 2002 which are extracted from the accountants' report, the text of which is set out in Appendix 1 to this prospectus:

	Year ended 31st March,		
	2000	**2001**	**2002**
	$'000	*$'000*	*$'000*
Turnover by service:			
Marketing and compliance monitoring services fee	18,138	20,439	23,389
Sales support services fee	5,795	6,010	4,282
Turnover *(Note 1)*	23,933	26,449	27,671
Other revenue	127	187	67
Selling expenses	(1,797)	(2,675)	(2,765)
Administrative expenses	(3,097)	(3,175)	(3,528)
Profit from operating activities	19,166	20,786	21,445
Finance costs	(2)	(2)	(2)
Profit before tax	19,164	20,784	21,443
Tax	(246)	(243)	(76)
Net profit from ordinary activities attributable to shareholders *(Note 2)*	18,918	20,541	21,367
Dividends *(Note 3)*	14,000	18,000	18,000
Earnings per Share *(Note 4)*	9.3¢	10.1¢	10.5¢

Notes:

1. Turnover represents fees received and receivable from provision of marketing and compliance monitoring services and sales support services. All significant intra-Group transactions have been eliminated on combination.

2. The net profit analysis is set out as follows:

	Marketing and compliance monitoring services	Sales support services	Total
	(Note 2a)	*(Note 2b)*	
	$'000	*$'000*	*$'000*
For the year ended 31st March, 2000			
Sales	18,138	5,795	23,933
Net profit	15,894	3,024	18,918
Net profit contribution	84%	16%	100%
For the year ended 31st March, 2001			
Sales	20,439	6,010	26,449
Net profit	17,338	3,203	20,541
Net profit contribution	84.4%	15.6%	100%
For the year ended 31st March, 2002			
Sales	23,389	4,282	27,671
Net profit	20,175	1,192	21,367
Net profit contribution	94.4%	5.6%	100%

Notes:

2a. In connection with the Group's provision of marketing and compliance monitoring services to its garment and fashion manufacturing clients, it does not involve the utilisation of the Group's permanent quota allocation.

2b. In connection with the Group's provision of sales support services to its garment and fashion manufacturing clients, it may involve the utilisation of the Group's permanent quota allocation. Further breakdown of the Group's turnover derived from the sales support services utilising the Group's permanent quota allocation during the Track Record Period is set out in the paragraph headed "Sales support services" in the section headed "Business" of this prospectus.

3. On 31st July, 2002, the Group further declared and paid special dividends of $6 million to its then shareholders. The payments of these dividends were financed by cash.

4. The calculation of earnings per Share for the three years ended 31st March, 2002 is based on the net profit attributable to shareholders for each of the respective periods and on the assumption that 204,000,000 Shares were in issue, comprising the 20,000,000 Shares in issue as at the date of this prospectus and the 184,000,000 Shares to be issued pursuant to the Capitalisation Issue.

The Directors are aware of the requirement of Rule 8.06 of the Listing Rules which states that the latest financial period reported on by the reporting accountants must not have ended more than six months before the date of this prospectus.

The Company has sought and obtained a waiver from strict compliance with such requirement from the Stock Exchange. The Directors confirm that they have performed sufficient due diligence on the Group to ensure that up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 31st March, 2002, and there is no event which would materially affect the information shown in the accountants' report set out in Appendix 1 to this prospectus.

The turnover and profit for the Track Record Period

For the three years ended 31st March, 2002, the Group experienced an overall growth in net profit and turnover due to the growth in marketing and compliance monitoring services income. The total service income of the Group increased from approximately $23.9 million for the year ended 31st March, 2000 to approximately $27.7 million for the year ended 31st March, 2002 which represents approximately 7.5% annualised growth. In addition, the net profit of the Group increased from approximately $18.9 million for the year ended 31st March, 2000 to approximately $21.4 million for the year ended 31st March, 2002 which represents approximately 6.3% annualised growth.

Taxation

The Group's sales support services operation is principally carried out by Sun Tai Hing in Hong Kong and subject to 16% profits tax rate.

The Group's marketing and compliance monitoring services operation is principally carried out by Dragon City in the US and the PRC by a team of four Australian marketing professionals and the executive Directors together with certain staff who travel to the US and the PRC on an intermittent basis respectively. The marketing team will promote the Group's clients to appropriate US buyers as their qualified suppliers/vendors in order to place orders with their PRC factories. As these marketing professionals carry out services to the Group's Hong Kong clients on a travelling basis without a permanent establishment in the US or Australia, and, the executive Directors together with the staff who carry out the compliance monitoring services to the PRC factories of the Group's Hong Kong clients without a permanent establishment in the PRC on an intermittent basis, the Group's marketing and compliance monitoring services fees are not subject to Hong Kong profits tax or taxation elsewhere. It is because the Group's marketing and compliance monitoring services are performed in the US and the PRC respectively but not in Hong Kong. As a result, the revenue received from the Group's marketing and compliance monitoring services is offshore in nature under the provision of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and are not chargeable to Hong Kong profits tax. According to the legal opinions received by the Group, its marketing and compliance monitoring services fees are also not subject to any US, Australian or the PRC tax exposure.

Year ended 31st March, 2000

For the year ended 31st March, 2000, the Group recorded a turnover of approximately $23.9 million, generating a net profit attributable to shareholders of approximately $18.9 million. Turnover was attributable to marketing and compliance monitoring services and sales support services which accounted for approximately 75.8% and 24.2% respectively. The Group's net profit margins for its marketing and compliance monitoring services and sales support services amounted to approximately 88% and 52% respectively. During this financial year, the Group engaged two Australian business development consultants to develop new buyers in the US to concur with the compliance monitoring program of the Group and maintain business relationships with the US Buyers. For the year ended 31st March, 2000, the return on equity of the Group amounted to 234.5% as the Group financed its operations principally by its retained profits of approximately $8.0 million with small amount of capitals in its subsidiaries of approximately $0.1 million only. As at 31st March, 2000, the current ratio of the Group amounted to 10.9 as the Group financed its operations principally by its retained profits with a minimal level of current liabilities.

Year ended 31st March, 2001

For the year ended 31st March, 2001, the Group recorded a turnover of approximately $26.4 million, representing an increase of approximately 10.5% over that of the previous financial year. Turnover was attributable to marketing and compliance monitoring services and sales support services which accounted for approximately 77.3% and 22.7% respectively of the total turnover for the year. The Group's overall net profit margin decreased slightly by 1.5% to approximately 78.6% compared with that of the previous financial year due to decrease in net profit margin from provision of marketing and compliance monitoring services of approximately 3%.

The Directors attributed the increase in turnover and decrease in net profit margin from provision of marketing and compliance monitoring services to addition of one more Australian business development consultant in April 2000 who actively promoted the Group's manufacturing clients to the US Buyers as their qualified suppliers/vendors thus increased the marketing and compliance monitoring services fee income and selling expenses (which comprised principally consultants charges paid to the expatriate marketing consultants and the senior business development manager of the Group) of the Group by 12.7% and 48.9% respectively.

The Group's turnover and net profit of its sales support services maintained at similar level and recorded small growths of 3.7% and 5.9% respectively.

For the year ended 31st March, 2001, the Group recorded a net profit of approximately $20.5 million and declared and paid annual dividends of $18 million to its then shareholders. As a result, the shareholders' equity increased by approximately 31.5% to approximately $10.6 million. Accordingly, although the net profit of the Group increased by approximately 8.6% over that of the previous financial year, the return on equity of the Group decreased by 40.9% to 193.6% for the year ended 31st March, 2001. On the other hand, as the Group did not incur significant capital expenditure and maintained a stable level of current liabilities as compared with that of the previous year end, the Group's total current assets increased by approximately 32.3% to approximately $11.0 million. Accordingly, the current ratio of the Group as at 31st March, 2001 was further strengthened to 13.4.

The Group generally does not grant any credit terms to its sales support service clients. For the year ended 31st March, 2001, in order to encourage more Hong Kong garment and fashion manufacturing clients to use the Group's marketing and compliance monitoring services, the Group started to revise its credit period of average 10 days granted to its customers to credit periods of 30 days and led to a general increase in debtors' turnover days from 8 days for the year ended 31st March, 2000 to about 20 days for the year ended 31st March, 2001.

Year ended 31st March, 2002

For the year ended 31st March, 2002, the turnover of the Group increased slightly by approximately 4.6% compared with that of the previous year, which was mainly attributable to an increase of 14.4% in marketing and compliance monitoring services income and a decrease of approximately 28.8% in sales support services income. The Directors attributed the increase in marketing and compliance monitoring services fee income as a result of addition of one more Australian business development consultant in September 2001 who actively promoted the Group's manufacturing clients, so that more purchase orders were placed by the US Buyers to the Group's Hong Kong garment and fashion manufacturing clients thus increased the marketing and compliance monitoring services fee income to the Group. Nevertheless, the Group managed to maintain the level of selling expenses (which comprised principally consultants charges paid to the expatriate marketing consultants and the senior business development manager of the Group) at approximately 10% to the Group's turnover when compared to the previous financial year. As a result of the phasing out of quota entitlements of silk blend non-cotton vegetable fibre, shirts and blouses and man-made fibre brassieres being effective on 31st December 2001, the Group only recorded revenue of such categories of quota utilization for nine months from April to December 2001 for the financial year ended 31st March 2002. The decrease in revenue and net profit of the sales support services was attributable to (1) loss of revenue from the aforementioned categories of quota utilisation for three months from January to March 2002; (2) declining price trend of these two categories of quota allocation in 2001 as compared with the price trend in the previous two years; and (3) relative fixed expenses incurred in general and administrative expenses. As a result, the Group's turnover and net profit from provision of sales support services decreased by approximately 28.8% and 62.8% respectively as compared with those of the previous financial year. It explained the significant decrease in net profit margin from provision of sales support services by 25% to approximately 28% when compared with that of the previous financial year. It also explained the reduction of the Group's overall net profit margin by 1.1% to approximately 77.5% when compared with that of the previous year.

For the year ended 31st March, 2002, the Group recorded a net profit of approximately $21.4 million and declared and paid annual dividends of $18 million to its then shareholders. As a result, the shareholders' equity increased by approximately 31.7% to approximately $14.0 million. Accordingly, although the net profit of the Group increased by approximately 4.0% over that of the previous financial year, the return on equity of the Group further decreased by 40.7% to 152.9% for the year ended 31st March, 2002. As the Group incurred a significant equity investment in the shares of a GEM listed company for the year then ended, the Group's total current assets decreased by approximately 19.6% to approximately $8.8 million. Accordingly, the current ratio of the Group as at 31st March, 2002 decreased to 12.2.

The increase in debtors' turnover days to about 22 days for the year ended 31st March, 2002 was in line with the increase of approximately 14% in turnover of the Group's marketing and compliance monitoring services fee income for the year then ended.

PROPERTIES

The Group has its principal place of business at Room 10, 11th Floor, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong for office purposes. The unit has a gross floor area of approximately 1,405 sq.ft. which was leased from an independent third party for an initial term of two years from 6th May, 2002 at monthly rentals of $22,480 exclusive of management fees and rates. In addition, the Group has a staff quarter at Flat B, 22nd Floor, Hove Court, Perth Garden, 7 Perth Street, Homantin, Kowloon, Hong Kong together with carparking space No. 67. The said property is currently occupied as a staff quarter by the senior business development manager of the Group, Miss Siu So Ha, Melisa.

The property in relation to the Group's office is currently subject to a mortgage. The landlord has not obtained the mortgagee's consent in entering the tenancy agreement. Until the requisite mortgagee's consent is obtained, there is a risk that the mortgagee may pursuant to the power under the existing mortgage, exercise its rights to repossess the property. The Directors have estimated that the relocation cost for the Group's office is less than $100,000 and it is not difficult for the Group to find another office in case the Group is prohibited from using the existing office premises. In this regard, the Sponsors are of the opinion that any relocation of office should not have material effect on the operation of business of the Group.

The property interests of the Group carried $4.3 million open fair market value as at 31st July, 2002 as assessed by DTZ Debenham Tie Leung Limited, an independent property valuer.

The text of a letter with a summary of valuation and valuation certificate of these property interests prepared by DTZ Debenham Tie Leung Limited is set out in Appendix 3 to this prospectus.

PROFIT FORECAST, DIVIDENDS AND WORKING CAPITAL

Profit forecast

The Directors forecast that, in the absence of unforeseen circumstances and on the bases and assumptions set out in Appendix 2 to this prospectus, the combined profit after tax but before extraordinary items of the Group for the year ending 31st March, 2003 will not be less than $24 million. The Directors are not aware of any extraordinary items which had arisen in respect of the year ended 31st March, 2003.

On the basis of the above forecast combined profit after tax of approximately $24 million and the weighted average number of 217,808,219.2 Shares expected to be in issue during the year ending 31st March, 2003, the forecast earnings per Share will amount to 11.0¢, representing a weighted average prospective price/earnings multiple of 9.08 times based on the Offer Price. This does not take into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares granted to the Directors as referred to in the paragraph headed "Resolutions of the sole shareholder of the Company passed on 22nd October, 2002" in Appendix 6 to this prospectus. On the assumption that the Offer had been completed and a total of 240,000,000 Shares were in issue on 1st April, 2002, the forecast pro forma fully diluted earnings per Share will be equivalent to 10.0¢, representing a pro forma fully diluted price/earnings multiple of 10.0 times based on the Offer Price.

The text of the letters from HLB Hodgson Impey Cheng, the auditors and reporting accountants, and from CSC Asia and First Asia in respect of the profit forecast is set out in Appendix 2 to this prospectus.

Dividends

On the basis of the above profit forecast and in the absence of unforeseen circumstances, the Directors have no intention of recommending a final dividend for the financial year ended 31st March, 2003.

The Directors presently intend that any future interim and final dividends in respect of the financial years commencing 1st April, 2003 and beyond will be paid in or around January and September respectively of each year and that interim dividends will represent approximately one-third of the expected total dividends for each year. On the basis that the Company would have been a listed company for the whole financial year ended 31st March, 2003, the Directors would expect to have paid a dividend of 3.5¢ per Share, representing a pro forma dividend yield of approximately 3.5% to the Offer Price.

Working capital

Taking into account the financial resources available to the Group including internally generated funds and the forecast net proceeds from the issue of the New Shares, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 21st June, 2002. There was no reserve available for distribution to the shareholders of the Company as at 31st March, 2002.

ADJUSTED NET TANGIBLE ASSETS AND NET ASSETS

The following pro forma statement of the adjusted net tangible assets and net assets of the Group is based on the audited combined net tangible assets of the Group as at 31st March, 2002 as shown in the accountants' report, the text of which is set out in Appendix 1 to this prospectus, adjusted as described below.

	$'000
Combined net tangible assets of the Group as at 31st March, 2002	13,975
Combined profit after taxation of the Group for the five months ended 31st August, 2002 based on the Group's unaudited management accounts	9,249
Special dividends declared and paid on 31st July, 2002	(6,000)
Estimated net proceeds of the issue of the New Shares	28,200
Adjusted net tangible assets of the Group	45,424
Add: Market value of the Group's permanent quota allocation as at 31st May, 2002 *(Note 1)*	20,617
Adjusted net assets	66,041
Adjusted net asset value per Share *(Note 2)*	2.75¢

Notes:

(1) The Group's permanent quota allocation carries an open fair market value at 31st May, 2002, which were valued by American Appraisal Hongkong Limited, an independent firm of professional valuers in Hong Kong. Details of the valuation are set out in the professional valuers' certificate in Appendix 4 to this prospectus. The permanent quotas owned by the Group were built up over years from its manufacturing history thus carrying no costs in its books. The Group has no intention to incorporate the market value of the permanent textile quotas in any of the published financial statements in the future.

(2) The adjusted net asset value per Share is arrived at after the adjustments as referred to in this section and on the basis of a total of 240,000,000 Shares expected to be in issue immediately following the completion of the Offer and the Capitalisation Issue, but takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares granted to the Directors as referred to in the paragraph headed "Resolutions of the sole shareholder of the Company passed on 22nd October, 2002" in Appendix 6 to this prospectus.

NO MATERIAL CHANGE

The Directors confirm that since 31st March, 2002, being the date to which the latest audited combined financial statements of the Group were made up, there has been no adverse material change in the financial or trading position or prospects of the Group.