

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The Group's consolidated turnover and profit attributable to shareholders for the year ended March 31, 2003 amounted to approximately HK\$176 million and HK\$3.9 million respectively, representing a decrease of 7% and an increase of 74% from that of last year. The drop in turnover was attributed to the decrease in both the Group's sales order and selling price to US retailers. Since the September 11 incident, global recession has been impacting nearly all business sectors throughout the world. The outbreak of the war in the Middle East, the uncertainties over the US economy and increasing globalisation of the world economies have resulted in keener competition and pressure on the profit margins of the Group's garment manufacturing businesses. As a result, the Group's gross profit ratio has further dropped to 10.2% in 2003 from 10.9% in 2002. Nevertheless, the demand for the Group's garment products from its US customers remains stable and the Group is presently maintaining 4 months' worth of back orders.

Despite the reduction in turnover in 2003, the Group's profit attributable to shareholders has increased tremendously by 74%, which was due to the significant decrease in both distribution costs and administrative expenses. The Group achieved a 59% reduction in distribution costs due to cancellation of the commission rebates imposed by US customers immediately after the September 11 incident. The Group also achieved a 21% reduction in administrative expense as a result of its efforts on cost rationalization. During the year, the Group reduced its staff costs and related expenses by 20% due to a combination of headcount reduction, office automation and increased use of technology and machinery. The directors will continue to maintain the Group's overheads in line with the level of its business activities.

DIVIDEND

In view of uncertainty of markets and the necessity of preservation of funds for future investments, the Board has decided that no dividend will be paid for the current year.

FINANCIAL POSITION AND LIQUIDITY

The financial position of the Group remained strong during the year relying principally on its internal resources to fund its operation and investment activities. As at March 31, 2003, the Group had net current assets of HK\$47 million including cash and bank balances of about HK\$36 million compared with net current assets of HK\$43 million including cash and bank balances of HK\$33 million at March 31, 2002. As at March 31, 2003, the Group's gearing ratio and current ratio were 0% (2002: 0%) and 3.9 times (2002: 2.4 times) respectively. The gearing ratio of the Group is expressed as a percentage of total borrowings to shareholders' funds.

The Group has contingent liabilities of HK\$20 million in the form of a corporate guarantee to secure general banking facilities granted to a subsidiary. Foreign currency exposure risk is minimum because of the Group's US\$ based stream of income.

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EMPLOYEES

The Group maintains 20 employees. Salaries are reviewed and adjusted annually based on their performance and experience. Other employee benefits include mandatory provident fund and education subsidies which are offered to promote the development of staff. There is a discretionary share option scheme in place designed to award employees for their performance.

FUTURE PLAN AND PROSPECTS

The Group's net profits improved during the fiscal year despite unfavorable global economic environment, particularly in the United States. Management attributes this success to its deep knowledge of the garment business, established reputation and credibility with major customers. As the China economy gains momentum, so does spending for branded apparels, leading to the emergence of many successful home-grown PRC fashion brands. The Group will leverage off its network of reliable garment manufacturing partners, quality assurance experience and reputation to achieve business growth and geographic diversification for its garment business by capturing orders from these home-grown fashion brands.

Alongside garment, the Group's diversification objective is to gain an exposure to the long-term potential of China, particularly in mass consumer-related opportunities, by investing in potentially profitable, early stage opportunities. To this end, management is proactively engaging in discussions with respect to various industries, including herbal food supplements, wastewater treatment and agricultural products.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our management team and employees for their efforts during the past year. 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, July 3, 2003