



The directors announce the audited consolidated results of the Group for the year ended 31 March 2003 with the comparative figures for the previous financial year.

FINANCIAL RESULTS

For the year ended 31 March 2003, turnover of the Group was HK\$687,652,000, representing a decrease of approximately 1% compared to HK\$694,262,000 of the previous year. Profit from operations amounted to HK\$59,490,000, recording a significant rise of about 44% compared to HK\$41,429,000 of the previous year. Loss per share was HK\$0.041 (2002: loss per share HK\$0.09).

During the year under review, the Group recorded an unrealized loss on other investments of HK\$11,000,000 and a loss on disposal of other investments of HK\$50,456,000. Other investments represent the Group's investments in the shares of 21CN CyberNet Corporation Limited ("21CN"). In view of this, the Group has a HK\$24,958,000 net loss for the year, despite the increase in profit from operations.

BUSINESS REVIEW

The Group is principally engaged in sourcing and export of cotton based knitted garments for women, children and infants, property investments, garment bleaching and dyeing, and provision of wireless communication services. Given the local and international economic recessions, the Group's business has been directly affected in the year under review.

During the year under review, the Group continued its primary operation in garment sourcing and export. Businesses from this segment contributed to 93% of the total turnover and amounted to HK\$636,143,000, a decrease of approximately 5% to the previous year. Differentiating geographically, the US contributed the major portion of the Group's garment operations. Turnover of garment exported to the US was HK\$576,453,000, down by approximately 9% compared to the previous year and represented around 84% of the Group's total turnover.

The Group's production facilities and business operations are located in Hong Kong, the PRC and the US. The turnover of its garment dyeing and bleaching factory in Dongguan, the PRC amounted to HK\$29,789,000 during the year, equivalent to approximately 4% of the Group's total turnover.

Despite of the continued stagnant property market in Hong Kong, the turnover for property letting business was HK\$19,056,000, an increase of 7% compared to the previous year. The Group is proactively organising the open sales of its new commercial-residential property Fa Yuen Plaza situated in 19 Fa Yuen Street, Mongkok, which was developed by the Group. The residential area comprises 64 apartments, areas ranging from 347 to 536 square feet, and targets at married couples and small families. The Ground, First and Second Floor, on the other hand, are shops totaling an area of 13,544 square feet. The residential units are for sale to genuine end users while the commercial units are for lease for retail purposes. In first hearing 70% of the commercial units have been successfully leased to potential customers such as HSBC.



PRESIDENT'S STATEMENT AND MANAGEMENT DISCUSSION

PROSPECTS

Following the signing of the Closer Economic Partnership Arrangement between Hong Kong and the PRC in late June 2003, enormous business opportunities and prospects are anticipated in the overall economy across the boundary, especially in the manufacturing industry. Under the Arrangement, 90% of domestic manufacturing exports to the PRC could enjoy zero tariff and companies would benefit from trade liberalization and investment facilitation. The PRC's accession to the World Trade Organisation and its successful bid in hosting Olympic Games 2008 would add to the rapid trade expansion, thereby directly benefiting the Group's business.

Given the persistent discouraging economic situation, the Group would actively promote businesses of higher profitability, such as the garment business, so as to capture a higher profit margin and increase its contribution to the Group's revenue. The Group is committed to expanding its business and customer network in an attempt to attain higher market penetration and profit margin of its garment business. It is hoped that the overall performance of the Group would be promoted with its business focus in garment sourcing and exports, as well as the productivity of the Dongguan factory.

The Group also attaches great importance to its overseas business, such that the regional headquarters in New York will continue to be fully utilised in order to facilitate the US garment operations. The Group believes that its enhanced the US and overseas customer coordination and network would prepare it well for the ample future opportunities.

SIGNIFICANT CORPORATE EVENTS

On 17 July 2002, the Group proposed the share consolidation pursuant to which every 10 issued and unissued existing shares will be consolidated into 1 consolidated share. Immediately following the share consolidation and based on the then existing shares in issue, the share capital of the Group will comprise 220,612,231 issued consolidated shares of HK\$0.10 each and 29,779,387,769 unissued consolidated shares of HK\$0.10 each. Upon the share consolidation becoming effective, the Group proposed to raise approximately HK\$79,400,000 before expenses by way of the rights issue of 661,836,693 rights shares at a price of HK\$0.12 per rights share.

On 24 January 2003, the Group's wholly-owned subsidiary Landmark Profits Limited had entered into a Sale and Purchase Agreement with an independent third party, pursuant to which Landmark Profits acquired 609,000,000 issued sales shares of i100 Limited ("i100"), representing approximately 55.27% of the then entire issued share capital of i100. The aggregate consideration amounted to HK\$6,090,000.

CAPITAL EXPENDITURE

During the period under review, the Group spent approximately HK\$102,400,000 and HK\$5,900,000 on properties development of Fa Yuen Plaza and acquisition of other property, plant and equipment respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2003, the Group's bank deposits amounted to HK\$53,808,000. Net current assets were HK\$208,200,000.

The Group's gearing ratio at the year ended was 0.6 times (2002: 0.6 times), which was calculated based on the total borrowings (but excluding obligations under finance leases) of HK\$341,816,000 (2002: HK\$293,770,000) and shareholders' funds of HK\$526,610,000 (2002: HK\$472,147,000).


EMPLOYMENT, TRAINING, DEVELOPMENT AND REMUNERATION POLICY

As at 31 March 2003, the number of staff of the Group in the US, PRC and Hong Kong was about 10, 160 and 60 respectively. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The remuneration policy and package is adjusted according to the human resources market environment. The Group has set up provident retirement benefits, in the form of Mandatory Provident Fund entitlement to Hong Kong's employees.

APPRECIATION

On behalf of the board, I would like to extend my sincere gratitude to our staffs and fellow directors for their contribution to the Group's development and cordial thanks to the continuing support of our customers, suppliers, business associates and shareholders.

By Order of the Board



Koon Wing Yee

President and Chief Executive Officer

Hong Kong, 23 July 2003