

Chairman's statement

FINANCIAL RESULTS

The Group's consolidated turnover and profit before taxation for the year ended March 31, 2004 amounted to approximately HK\$165 million and HK\$8.2 million respectively, representing a decrease of 6% and an increase of 66% from that of last year. The Group's decline in turnover was attributed to a decrease in sales order by US retailers, and price pressure on the Group's products due to increasing globalization and keener competition. Nevertheless, the demand for the Group's garment products from its US customers remains stable as evidence by the Group's six months' worth of back orders. On the other hand, globalization benefited the Group through greater availability of raw materials and reduction in the Group's cost of sales by 8% year on year. As a result, the Group's gross profit margin has increased to 12% in 2004 from 10% in 2003.

The Group's profit before taxation has resulted in a tremendous 66% increase. In addition to higher gross profit, the Group reduced its administrative expenses by 11% as a result of cost rationalization efforts. During the year, the Group reduced its staff costs and related expenses by 14.5% through a combination of headcount reduction 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.

The Group's profit before taxation increased by 66% to reach HK\$8.2 million. Profit attributable to shareholders increased by 164% to reach HK\$10.3 million for the year. This was mainly due to a reversal of taxation charge of HK\$2.4 million from prior years' overprovision of tax. As a result, the Group's 2004 basic earnings per share was HK6.16 cents, an increase of 164% from HK2.33 cents in 2003.

FINANCIAL POSITION AND LIQUIDITY

The Group's financial position remained strong during the year. The Group relied principally on its internal resources to fund its operation and investment activities. As at March 31, 2004, the Group's net current assets were HK\$56 million, with cash and bank balances of HK\$38 million. This compares with net current assets of HK\$47 million and cash and bank balances of HK\$36 million at March 31, 2003. As at March 31, 2004, the Group's gearing ratio and current ratio were 0% (2003: 0%) and 3.3 times (2003: 3.9 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.

EMPLOYEES

The Group maintains 19 employees, whose salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include mandatory provident fund and an education subsidy to encourage staff's professional development. The Group also has a discretionary share option scheme in place designed to award employees for their performance.



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FUTURE PLAN AND PROSPECTS

In line with the Group's focus to seek opportunities relating to the PRC mass consumer markets, the Group is currently planning the launch of the first of a series of health food supplement products in selected PRC cities. During the initial phases of the Group's health food supplement initiative, the Group's approach will focus on product application and channel development. To this end, the Group may seek R&D and other alliances to strengthen and expedite the Group's build-up in this new initiative.

The Group's corporate development effort continues its focus on evaluating various alliance, acquisition and new business opportunities relating to the emerging PRC mass consumer sectors.

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 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 2, 2004

