Management Discussion and Analysis

Slam Dunk

Currently, our focuses are (a) to expand and develop the overseas markets and (b) to extend our production facilities to other parts of the PRC and the world. Our Group continues to acquire further plant and machinery, employ more labour and lease more factory premises. The management believes that such focus will enable our Group to develop its full potential by reducing the labour cost, minimizing the investment risk and meeting the international markets standards.

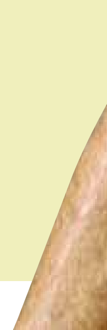
Business Review

The Group is principally engaged in the design and manufacture of sportswear for men, women and children on an OEM (an acronym for "original equipment manufacturer", which produces or customises products according to the design supplied by others) basis. The sportswear manufactured and sold by the Group can broadly be divided into tracksuits, sports pants, jackets, sweaters and t-shirts. The remaining products comprise casual wear, kids wear and fashion wear. The Group manufactures products under international brandnames such as ***Nike***, ***adidas*** and ***Puma***.

For the year ended 31 March 2005, the Group's products were mainly sold to Japan, the PRC and South Korea.

The performance of the Group for the year ended 31 March 2005 was strong compared to the previous corresponding year in 2004 as the turnover and net profit from ordinary activities attributable to the shareholders of the Group increased by approximately 38.7% and approximately 193.1% respectively.

The growth in turnover came principally from the increasing orders placed by the Group's existing customers such as ***Nike*** and other international brandname customers. Meanwhile, the Group's marketing team continued to approach new customers and orders are constantly taking place by new or potential customers.



On the production side, the Group continued to expand its production capacity during the year ended 31 March 2005 compared to the previous corresponding year in 2004. A New Production Plant was being constructed in Shantou, the PRC during the year. Please refer to the circular of the Company dated 14 July 2004 for further details of the New Production Plant.

Financial Review

Results

For the year ended 31 March 2005, turnover of the Group increased to approximately HK$451.4 million compared to approximately HK$325.4 million for the previous corresponding year, an increase of approximately 38.7%. The increase was mainly attributed to an increase in the orders placed by customers as a result of the hard work of the Group's marketing team supported by an expansion in the Group's production capacity. In terms of geographical segments, sales to the Group's major markets, i.e. Japan and the PRC increased by approximately 21.7% and 107.7% respectively.

Gross profit of the Group for the year ended 31 March 2005 increased to approximately HK$128.2 million compared to approximately HK$60.8 million for the previous corresponding year, an increase of approximately 110.9%. The increase was mainly attributed to the increase in turnover and an increase in gross profit margin. The gross profit margin of the Group was approximately 28.4% for the year ended 31 March 2005, an increase of approximately 9.7% compared to approximately 18.7% for the previous corresponding year. The improvement in gross profit margin was attributed to (a) improved production efficiency as a result of (i) implementation of a more advanced production planning computer system assisted by Yue Yuen Industrial (Holdings) Limited, (ii) increase in the use of more advanced machinery, (iii) a more stable quality and timely delivery of materials, (b) a lower percentage increase in direct labours, and (c) reduction in material consumption and wastage.

Other income for the year ended 31 March 2005 increased by approximately 97.2% to approximately HK$7.1 million compared to approximately HK$3.6 million for the previous corresponding year. The increase was mainly attributed to an increase in the amount of sale of samples and interest income.

Selling and distribution expenses of the Group for the year ended 31 March 2005 increased to approximately HK$5.1 million compared to approximately HK$4.4 million for the previous corresponding year, an increase of approximately 15.9%. The increase was mainly attributed to the increase in the transportation costs to customers due to increase in turnover and increase in advertising fee.

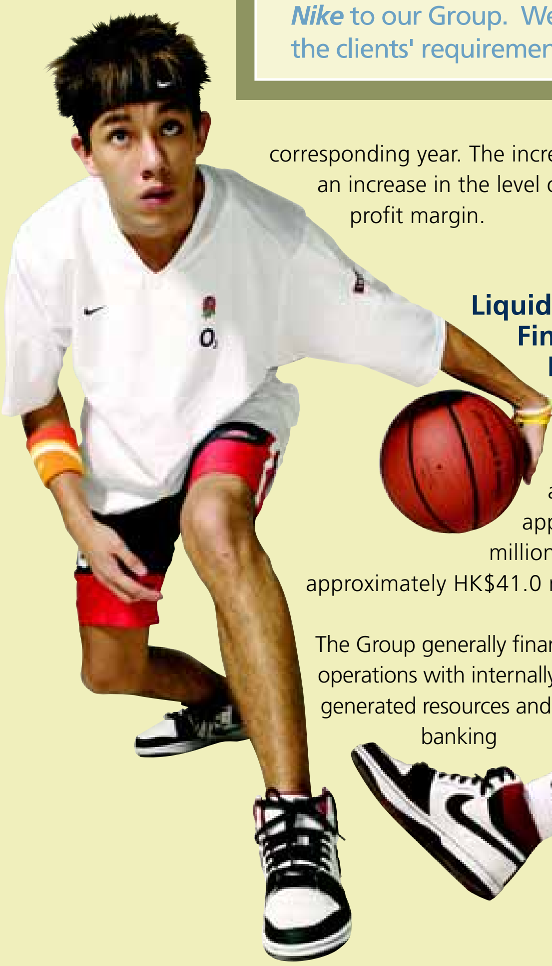
Administrative expenses for the year ended 31 March 2005 increased by approximately 19.5% to approximately HK$26.4 million compared to approximately HK$22.1 million for the previous corresponding year. The increase was mainly due to an increase in the level of salaries and general expenses to cope with the expansion of the business.

Finance costs for the year ended 31 March 2005 decreased by approximately 91.3% to approximately HK$0.2 million compared to approximately HK$2.3 million for the previous corresponding year. The decrease was mainly attributed to the lower average level of bank borrowings compared to the previous corresponding year.

The Group's profit attributable to shareholders for the year ended 31 March 2005 increased by approximately 193.1% to approximately HK$94.1 million compared to approximately HK$32.1 million for the previous

The Quality

The quality-oriented principle has been our production doctrine for years. The Group manufactures products under well-known brandnames such as ***Nike***, ***adidas*** and ***Puma***. The products manufactured and sold by the Group range from tracksuits, sports pants, jackets, sweaters, t-shirts, casual wear, kids wear and fashion wear. The steadily increasing number of orders placed by our customers is evidence of the success of our production doctrine. Another recognition of the quality of our products is the issue of the "Quality Check Certificates" from ***Nike*** to our Group. We strive to meet the clients' requirements at all times.



corresponding year. The increase was the result of an increase in the level of turnover and gross profit margin.

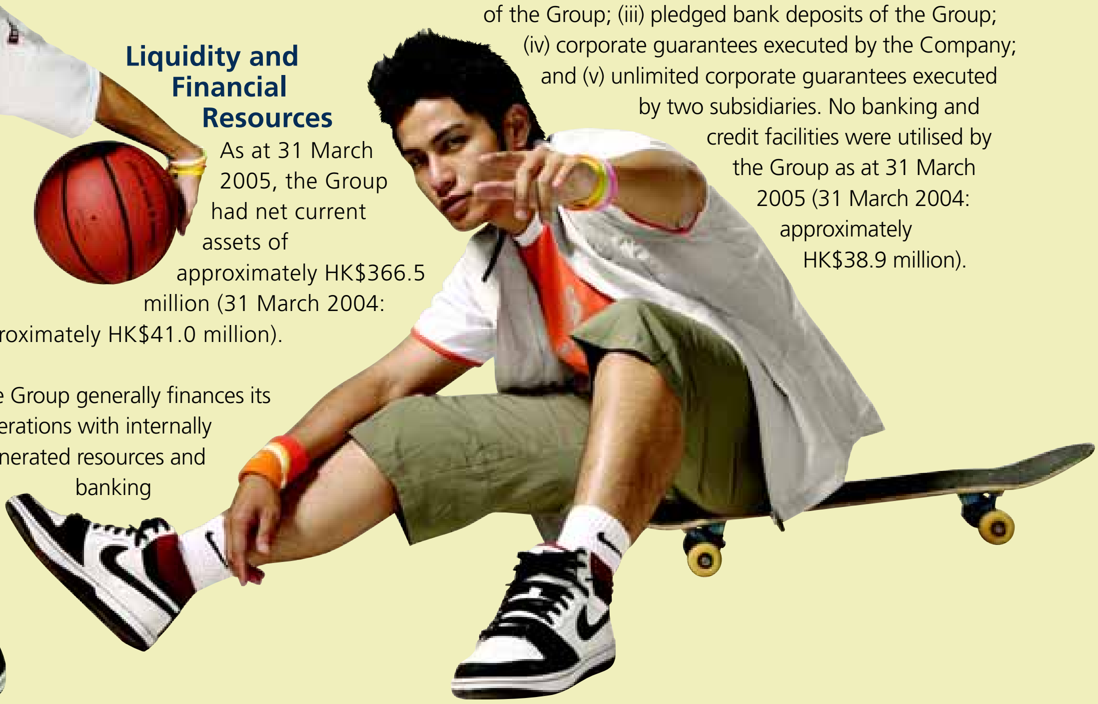
Liquidity and Financial Resources

As at 31 March 2005, the Group had net current assets of approximately HK$366.5 million (31 March 2004: approximately HK$41.0 million).

The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers. Net proceeds from the initial public offering of the Company's shares, subscription of the Company's shares and convertible note and placing of the Company's shares during the year were primarily used for acquisition of new machinery and fixtures and fittings to support the expansion in capacity, to acquire additional factory building in the PRC and to expand the Group's marketing team and sales network. Please refer to the Report of Directors in this annual report for the details of the use of proceeds from the initial public offering of the Company's shares and from the subscription and placing of new shares and the issue of convertible note of the Company. As at 31 March 2005, the Group had cash and bank deposits amounted to approximately HK$328.4 million (31 March 2004: approximately HK$36.9 million).

As at 31 March 2005, the Group had no outstanding borrowings. However, as at 31 March 2004, the Group had outstanding borrowings of approximately HK$38.9 million, comprising secured bank overdrafts of approximately HK$7.4 million, secured trust receipt loans of approximately HK$18.9 million, secured mortgage loans of approximately HK$5.7 million, other secured bank loans of approximately HK$5.0 million and obligations under finance leases of approximately HK$1.9 million, of which approximately HK$33.3 million of the total outstanding borrowings were repayable within one year and the remaining balance of approximately HK$5.6 million was repayable beyond one year but within five years.

As at 31 March 2005, the Group had aggregate banking and credit facilities of approximately HK$159.6 million (31 March 2004: approximately HK$99.2 million) and were secured by: (i) one of the leasehold land and buildings of the Group; (ii) the unlisted investment funds of the Group; (iii) pledged bank deposits of the Group; (iv) corporate guarantees executed by the Company; and (v) unlimited corporate guarantees executed by two subsidiaries. No banking and credit facilities were utilised by the Group as at 31 March 2005 (31 March 2004: approximately HK$38.9 million).



As at 31 March 2005, the Group's gearing ratios represented by total liabilities as a percentage of the Group's total assets amounted to approximately 9.8% (31 March 2004: approximately 48.2%).

The Group did not have any significant contingent liabilities not provided for at the balance sheet date (31 March 2004: nil).

For the year ended 31 March 2005, the Group was not subject to any significant exposures in foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

The management believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms.

Capital Structure

The shares of the Company ("Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 August 2003. During the period from 22 August 2003 to 31 March 2005, the capital structure of the Company had the following changes:

On 3 March 2004, the Company, Time Easy Investment Holdings Limited ("Time Easy") and Mr. Chung Yuk Sing entered into the conditional subscription agreement (the "Subscription Agreement") with Great Pacific Investments Limited ("Great Pacific") and Yue Yuen in relation to the subscription by Great Pacific of 105,000,000 new shares in the Company at HK$1.06 per share, making a total subscription price of HK$111.3 million, and of the convertible note issued by the Company (the "Convertible Note") to Great Pacific at a subscription price of HK$207.06 million. The total consideration payable by Great Pacific for the subscription was HK$318.36 million, which was payable in cash upon completion of the Subscription Agreement.

On the same day, the Company entered into the conditional placing agreement (the "Placing Agreement") with Barits Securities (Hong Kong) Limited ("Barits"), pursuant to which Barits agreed to place, on a fully underwritten basis, and the Company agreed to issue, an aggregate of 35,000,000 new shares in the Company at HK$1.06 per share (the "Placing Shares"). The total subscription price for the Placing Shares was approximately HK$37.1 million, which was payable in cash upon completion of the Placing Agreement.

The completion of the Subscription Agreement and the Placing Agreement took place on 16 April 2004. Immediately upon completion of the Subscription Agreement and the Placing Agreement, the public float had become about 24.56% of the total issued share capital of the Company. Time Easy sold 1,500,000 Shares in the market on 23 April 2004 to restore sufficient public float for the Shares to 25%.

On 28 December 2004, the Company entered into the amendment agreement (the "Amendment Agreement") with, among other parties, Great Pacific to amend the existing terms of the Convertible Note so that Great Pacific might immediately upon the Amendment Agreement became effective exercise the conversion rights under the Convertible Note to convert the outstanding Convertible Note into the Shares (the "Conversion Shares"), instead of only during the one month period before the third anniversary of the Convertible Note (the "Early Conversion"). In addition, according to the terms of the Amendment Agreement, within 3 business days after the Amendment Agreement became effective, Great Pacific would exercise the conversion rights under the Convertible Note in full and the Company should allot and issue the Conversion Shares to Great Pacific or its nominee in accordance with the terms and conditions of the Convertible Note.

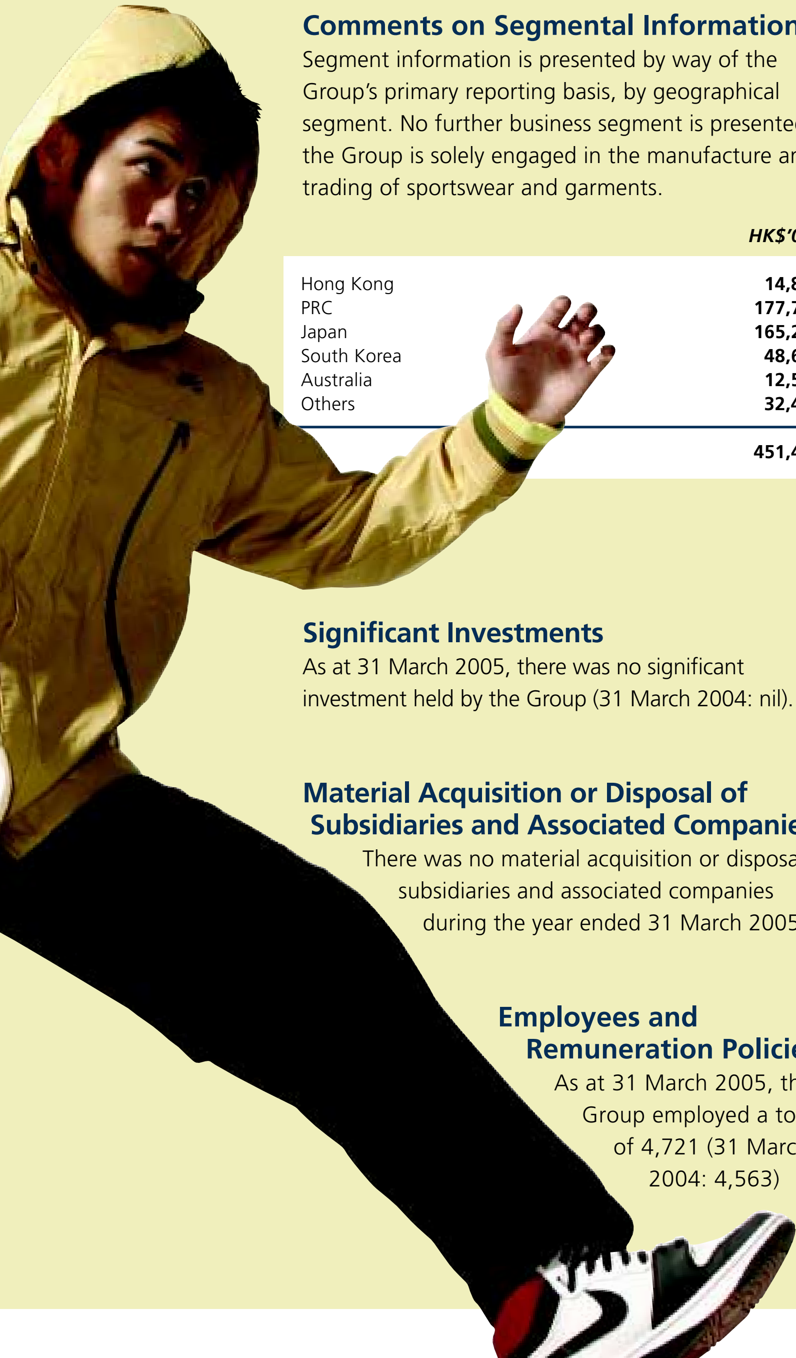
On 3 March 2005, Time Easy had concluded a placing agreement pursuant to which Barits would place 22,000,000 Shares at the placing price of HK$4.125 per share to not less than 6 independent investors (the "Vendor Placing Agreement") in order to fulfil the condition of the Amendment Agreement that the public float of the Shares would not be less than 25% immediately before and after the Early Conversion.

The completion of the Vendor Placing Agreement, the Amendment Agreement and the Early Conversion took place on 7 March 2005, 15 March 2005 and 17 March 2005 respectively.

Set out below is a table showing the shareholding structure of the Company (i) as at 1 April 2004, (ii) immediately upon completion of the Subscription Agreement and the Placing Agreement on 16 April 2004, (iii) immediately upon completion of the Subscription Agreement and the Placing Agreement and the disposal of 1,500,000 Shares by Time Easy on

23 April 2004, (iv) immediately upon completion of the Vendor Placing Agreement on 7 March 2005, and (v) immediately upon Early Conversion of the Convertible Note on 17 March 2005:

	As at 1 April 2004		Immediately upon completion of the Subscription Agreement and the Placing Agreement on 16 April 2004		Immediately upon completion of the Subscription Agreement and the Placing Agreement and the disposal of 1,500,000 Shares by Time Easy on 23 April 2004		Immediately upon completion of the Vendor Placing Agreement on 7 March 2005		Immediately upon Early Conversion of the Convertible Note on 17 March 2005	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Time Easy	150,000,000	75.00	150,000,000	44.12	148,500,000	43.68	126,500,000	37.21	126,500,000	29.63
Ms. Tsang Sau Fan	1,500,000	0.75	1,500,000	0.44	1,500,000	0.44	1,500,000	0.44	1,500,000	0.35
Great Pacific	–	–	105,000,000	30.88	105,000,000	30.88	105,000,000	30.88	192,000,000	44.96
Public	48,500,000	24.25	83,500,000	24.56	85,000,000	25.00	107,000,000	31.47	107,000,000	25.06
Total	**200,000,000**	**100.00**	**340,000,000**	**100.00**	**340,000,000**	**100.00**	**340,000,000**	**100.00**	**427,000,000**	**100.00**



Comments on Segmental Information

Segment information is presented by way of the Group's primary reporting basis, by geographical segment. No further business segment is presented as the Group is solely engaged in the manufacture and trading of sportswear and garments.

The Group's turnover by geographical segments, based on location of customers, for the two years ended 31 March 2005 are summarised as follows:

	2005		2004		**Year-on-year**
	HK$'000	**%**	*HK$'000*	%	**% change**
Hong Kong	**14,853**	**3.3**	13,591	4.2	9.3
PRC	**177,722**	**39.3**	85,561	26.3	107.7
Japan	**165,213**	**36.6**	135,734	41.7	21.7
South Korea	**48,649**	**10.8**	54,150	16.6	(10.2)
Australia	**12,557**	**2.8**	3,722	1.2	237.4
Others	**32,452**	**7.2**	32,653	10.0	(0.6)
	451,446	**100.0**	325,411	100.0	38.7

Significant Investments

As at 31 March 2005, there was no significant investment held by the Group (31 March 2004: nil).

Material Acquisition or Disposal of Subsidiaries and Associated Companies

There was no material acquisition or disposal of subsidiaries and associated companies during the year ended 31 March 2005.

Employees and Remuneration Policies

As at 31 March 2005, the Group employed a total of 4,721 (31 March 2004: 4,563) employees including directors. Total staff costs including directors emoluments were approximately HK$78.6 million in the year under review (31 March 2004: approximately HK$66.9 million).

The employees are remunerated based on their work performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme for the employees of the Group in Hong Kong and to the central pension scheme for the employees of the Group in the PRC. A share option scheme is operated by the Company from 6 August 2003. In the year under review, no share options have been granted to any employees.

Our Brands

The Group manufactures products under international brandnames such as Nike, adidas and Puma. Long-term business opportunities can be seen under these international brandnames. The growth in turnover came principally from the increasing orders placed by the Group's existing customers such as Nike and other international brandname customers. Meanwhile, the Group will continue to approach new customers and orders are constantly taking place by new or potential customers.

Future Plans for Material Investments or Capital Assets and their Expected Source of Funding

As part of our expansion plans, the Group had entered into agreements acquiring new plants and buildings during the year.

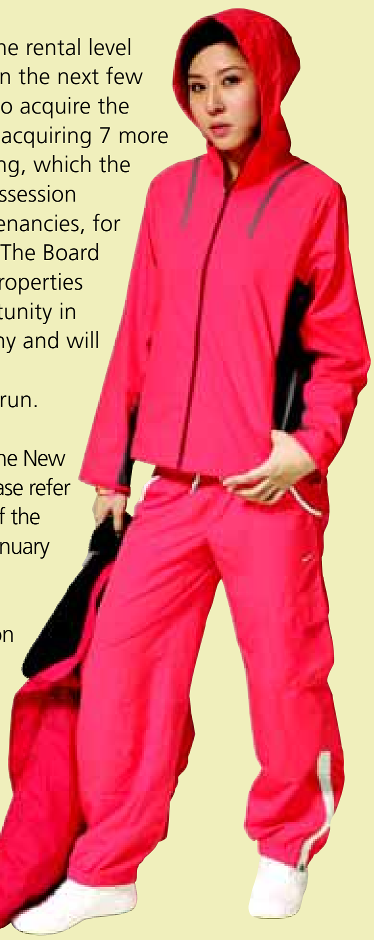
In order to increase the production capacity of the Group to cope with the increasing orders, on 19 June 2004, Yumei (Shantou) Garments Co., Ltd. (previously known as "Yue Mei (Shantou) Garment Manufacturing Co. Ltd."), a wholly-owned subsidiary of the Company entered into an agreement with 汕頭經濟特區成德工業村開發有限公司(Shantou Special Economic Zone Cheng De Industrial Village Development Co. Ltd.) ("C.D. Real Estate"), an independent corporation established in the PRC, whereby C.D. Real Estate would construct and sell, and the Group would purchase, the New Production Plant for a consideration of RMB102,175,000 (approximately HK$96,391,509). The New Production Plant was erected on a piece of land with a site area of approximately 23,334 square metres. The New Production Plant comprises a 7-storeyed industrial complex with a planned gross floor area of approximately 67,000 square metres together with ancillary facilities including a basketball court and a car port. The construction work has been completed. The New Production Plant is scheduled to commence operation in the last quarter of 2005. It will increase the Group's production capacity. As at 31 March 2005, a deposit of approximately HK$42,453,000 was made. Subsequent to the balance sheet date, on 14 April 2005, the New Production Plant was examined and accepted by and delivered to the Group. The Group is currently in the progress of applying for the relevant title certificates.

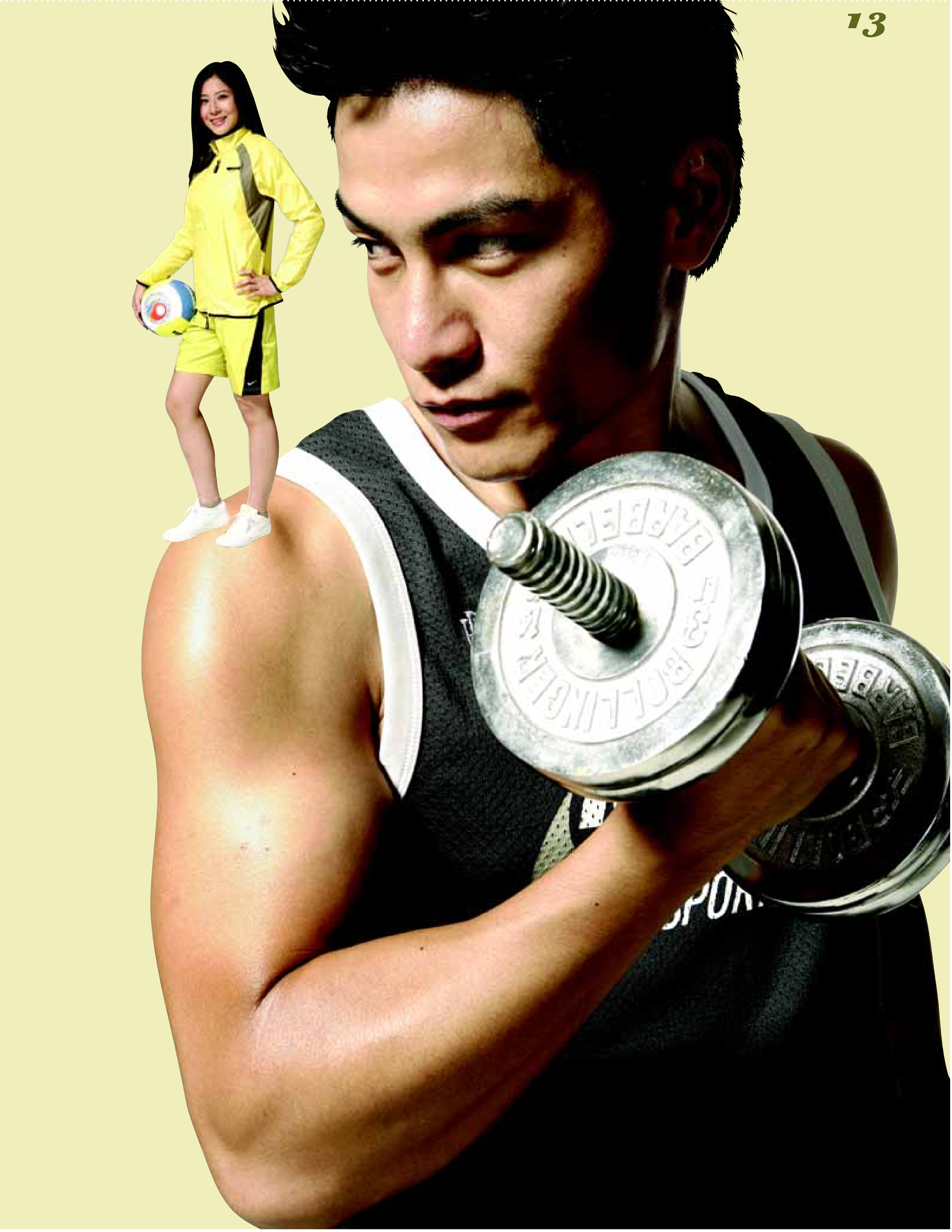
On 12 January 2005, Eagle Nice Development Limited, a wholly-owned subsidiary of the Company entered into a provisional agreement for sale and purchase with Chericourt Company Limited for the acquisition of totalling 18 units all on the 9th Floor of Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong (the "Properties") for a consideration of HK$19,594,080.

The Group expected an increase in the rental level for commercial properties generally in the next few years and considered it appropriate to acquire the existing leased properties, as well as acquiring 7 more units on the same floor of the building, which the Board intended to recover vacant possession upon the expiration of the existing tenancies, for self-use as office and/or warehouse. The Board believes that the acquisition of the Properties represents a good investment opportunity in commercial property for the Company and will improve the Company's operating performance in the medium to long run.

For further details of the acquisition of the New Production Plant and the Properties, please refer to the circular and the announcement of the Company dated 14 July 2004 and 12 January 2005 respectively.

The source of funding for the acquisition came partly from the proceeds of the share offer, the subscription and the placing of the Shares and the issue of Convertible Note.





Our New Production Plant

The New Production Plant in Shantou Special Economic Zone is erected on a piece of land with a site area of approximately 23,334 square metres. The New Production Plant comprises a 7-storeyed industrial complex with ancillary facilities including a basketball court, a medical room and a car port. Modernized production facilities include new machinery, fixtures and fittings. This all-inclusive production environment can significantly increase the production quality and efficiency of our Group.