

Chairman's Statement

On behalf of the Board of Directors, I have pleasure in presenting the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2005, the Group has recorded a loss of approximately HK\$28,769,000 and loss per share of HK3.89 cents. The Board of Directors has resolved not to recommend a payment of dividend for the year.

The Group's turnover for the year under review totalled approximately HK\$4.15 million, representing a decrease of approximately 82% as compared to the corresponding period for 2004. This decrease in turnover was mainly attributable to the downturn of the garment manufacturing business of the Group.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2005, shareholders' fund and net current assets of the Group amounted to HK\$20,812,000 (2004: HK\$43,157,000) and HK\$9,821,000 (2004: HK\$23,385,000) respectively. As at 31 March 2005, the Group's gearing ratio, calculated on the basis of the Group's total liabilities over total shareholders' funds is 2.48 (2004: 1.68).

As at 31 March 2005, the Group had working capital of HK\$9,821,000 (2004: HK\$23,385,000) and total bank balance of HK\$2,146,000 (2004: HK\$15,157,000). In view of the Group's current cash balances and available banking facilities, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transaction of the Group are mainly carried and conducted in Hong Kong dollars and Renminbi. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures.

Settlement of Litigations

On the positive side, the Group has reached settlements for some legal cases. Details are set out under the heading of "Litigations" in Note 29 to the financial statements.

Future Business and Prospects

The Board has planned to take various actions in order to improve the existing garment manufacturing operations, such as, including but not limited to, tighter cost control, review of production cycles, development of new product lines and markets, both local and overseas. On the other hand, the Directors will also explore different finance sources so as to stabilize the financial position of the Group. The Group will be actively and prudently seeking suitable investments with development potentials to strengthen the Group's businesses.

Chairman's Statement (continued)

Pledge of Assets and Contingent Liabilities

As at 31 March 2005, the Group's fixed assets with an aggregate net book value of approximately HK\$10,793,000 were pledged in favour of a bank in the PRC (the "Bank") to secure a loan of RMB29,500,000 (equivalent to approximately HK\$27,830,000) granted by the Bank to the Company's PRC subsidiary. Details of the Group's contingent liabilities as at 31 March 2005 are set out under the heading of "Litigations" in Note 29 to the financial statements.

Appreciation

I would like to take this opportunity, on behalf of the Board of Directors, to extend my sincere appreciation to all suppliers, customers, shareholders, board members as well as staff for their hard work and valuable contribution.

Kenneth Chi

Chairman

Hong Kong, 26 July 2005