FINANCIAL REVIEW

For the year ended 31st March 2005, the Group recorded a turnover of approximately HK$162,122,000 (2004: HK$144,561,000), increase 12.1% compared to the previous year.

Net profit from operations decreased by 83.8% from HK$16,715,000 to HK$2,703,000. This was mainly due to: First, the PRC joint ventures at Ningbo and Huzhou are operating at low profit margin. Both production plants are facing higher cost of production in terms of raw materials, fuel and labour cost. Second, in order to explore and broaden the client base; a new office was set up in Shanghai in September 2004 which directly increase the operating and administration expense. Third, the Group is facing a general trend of falling in selling prices of garment products. Finally, Rontex group has re-gain the Peru market which was vanished in 2004 because of the imposition of penalty tax tariff for the Peoples Republic of China (the "PRC") manufactured garment product. However, the regain of Peru market is at the expense of considerable transportation cost are incurred which greatly eroded the profit margin.

During the year, the Group recorded a net loss attributable to shareholders of HK$6,459,000. This was due to a written off an investment with the amounts of approximately of HK$8,500,000. The investment is principally engaged in selling of men and woman suit by opening retail outlets in Beijing. However, because of lack of retail business experience and keen competition in garment retail business, the shops were operating at loss and finally closed down in February 2005.

OPERATION REVIEW

Garment products

Garment products business has continued to be the major source of revenue of the Group. In respect of the business segment analysis, woven, knitwear, sweater and premium remain the same product mix as per last year. For the year ended 31st March 2005, garment products accounted for 95.1% (2004: 94.9%) of the Group's turnover. Revenue derived from garment product business increased by 12.4% to HK$154,290,000. The increase in turnover was mainly contributed by the newly established joint venture in Huzhou which is principally engaged in manufacturing and selling of sweater. However, the profit attributable to garment segment was decrease by 87% as compared to last year. Increase in cost of raw material in garment manufacturing, high operating cost in our production plants in Ningbo and Huzhou, high exploring cost in develop new market, decreasing in selling price of garment products and competition in garment market is more fierce as more competitors emerge in PRC. All these factors impose a great pressure on our Group profit.

Premium products

For the year ended 31st March 2005, the results of premium products remained stable and accounted for 4.8% (2004: 5.0%) of the turnover of the Group. The revenue and operating profits of premium products were approximately HK$7,832,000 (2004: HK$7,281,000) and HK$579,000 (2004: HK$577,000) respectively. To recap the growth momentum of premium products, the management team of the Group devised specialised marketing strategies and cost control measures to boost the profitability of this business segments.

Geographical

Chile continues to be the Group's largest market which accounted for 50.5% (2004: 68.1%). Peru market which was vanished in 2004 because of the imposition of penalty tax tariff for PRC manufactured garment product was regain in current year. However, the regain of Peru market is at the expense of considerable re-shipment cost are incurred which greatly eroded the profit margin. The Group is keen to explore new markets such as England, Spain, Germany and Italy.

Development in the PRC

The Group entered into an agreement with independent parties in respect of the acquisition of 30% equity interest in a JV Company at a consideration of HK$27,720,000. The JV is engaged in the sale and manufacture of woven garment products.

The consideration payable under the Agreement will be satisfied fully in cash. The terms and conditions under the Agreement were determined at arm's length negotiation by reference to a valuation conducted by qualified valuer in Hong Kong.

Prospects

The sustaining growth of the PRC market has created opportunities for the Group. Global traders will frequently travel to the PRC and the demand for business partners in Asia who can cater retailer's global need will increase. With the Group's current establishment in the PRC and continuous development which cement our presence in garment and fashion market, the Group is keen to reap the emerging opportunities induced by the latest trend of global trade.

The directors of the Company have also noticed the high operating cost in both Hong Kong and PRCs which will pose impact on our profit margin. In response to these challenges, the Group will carry out reformation on marketing strategies which aims at market diversification and continue implementing stringent measures and contingencies in business operations, with a focus on quality-driven and cost efficient operations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2005, the Group had net current assets of HK$1,664,000 (31st March 2004: HK$19,729,000). The Group's current ratio, as a ratio of current assets to current liabilities, was approximately 105% (31st March 2004: 203%) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was maintained at a lowest level of 7.3% (31st March 2004: 9.5%).

The Group generally finances its operations with internally generated cash flow, facilities provided by its principal bankers in Hong Kong and the PRC. During the year under review, the Group recorded a net cash outflow of HK$17,647,000 (2004 inflow: HK$2,600,000), which decreased the total cash and cash equivalents to HK$5,107,000 (2004: HK$19,999,000) as at the balance sheet date.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The bank borrowing of the Group as at 31st March 2005 were HK$10,247,000 (31st March 2004: HK$12,580,000), which were denominated in Hong Kong dollar, Renminbi and United States dollars. All of the Renminbi bank borrowings are at fixed interest rate of 5.46% per annum whilst the Hong Kong dollars borrowing are at variable interest rate ranging from 0.5% to 0.75% above the best lending rates. As the Group's transactions are mostly settled by Hong Kong dollars, Renminbi and United States dollars and the existing currency peg of Hong Kong dollars with United States dollar will remain unchanged in the foreseeable future; the exposure to foreign exchange fluctuation is minimal, therefore the use of financial instruments for hedging purpose is considered not necessary.

CONTINGENT LIABILITIES

As at 31st March 2005, the Group had contingent liabilities arising from bills of exchange discounted with recourse and long service payment of approximately HK$8,587,000 (2004: HK$3,910,000) and HK$139,000 (2003: HK$137,000) respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2005, the Group had approximately 480 staffs and workers in Hong Kong, Ningbo and Huzhou of PRC.

The Group remunerates its employees largely based on industry practice. Remuneration packages comprised salary, commissions and bonuses based on individual performance.

PLEDGE OF ASSETS

The Group's banking facilities were secured against the Group's land and buildings located in Hong Kong and the PRC and motor vehicles in the PRC of approximately HK$26,710,000 (2004: HK$22,331,000) and HK$499,000 (2004: HK$700,000) respectively.

CORPORATE GOVERNANCE

The Group weights good corporate governance as one of the key elements to sustain its competitiveness and growth. We are committed to maintaining high standards of corporate governance practices and achieve financial prudence and has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's article of associations. We have implemented effective financial and management policies to strengthen the Group structure and operation systems. All Directors are responsible for overseeing the daily operations. Directors and senior management meet regularly to formulate overall strategies and discuss corporate governance, risk management, statutory compliance and financial performance of the Group.

The Group established the Audit Committee which comprises of three independent non-executive directors of our Group. All of them are members of professional bodies and possess unique industry experience and financial knowledge to advise on the matters of the Group. To achieve financial prudence and independence, our Audit Committee reviews the accounting policies, interim and final results of the Group.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive directors, Mr. Hung Muk Ming, Mr. Wong Kin Tak and Madam Wong Lai Fong. The Audit Committee has reviewed with management the accounting principles and practice adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the financial statements for the year ended 31st March 2005.