

CHAIRMAN'S STATEMENT

Although the Group generated a profit attributable to shareholders in an amount of HK\$6,286,000, representing an increase of 2.2 times as compared with that of last year (HK\$2,888,000), the year under review was a difficult year for the Group's garment business.

GARMENT OPERATION

By organising sales meetings in various major cities in China, the Group has successfully expanded its wholesale customers base and effectively increase the brand awareness. The overall performance of wholesale garment business was not satisfactory and resulted in declining in turnover to HK\$31,868,000, representing 13.4% decrease as compared with that of last year. It is mainly due to the adverse impact from the macroeconomic adjustment and the abnormal weather condition in some major cities in China. Despite the above mentioned unfavourable factors, the Group believes that this effective marketing strategy should be continued to strengthen the wholesale network foundation and also elevate the brand recognition. And, more convincing performance will be expected in coming years.

With the professionally well-equipped production facilities for the Nylon knitted garments set up in China and the expertise in Nylon fully fashioned garment manufacturing, the Group stepped in the OEM and ODM garment business for other brandnames. Because of the unique design, best quality and workmanship offered at a most competitive price, the feedback from various customers is encouraging. The Group believes that the diversity in garment production business can better utilise the production capacity and has positive contribution to the Group in the future.

INVESTMENTS

The Group maintained its prudential policy in generating returns for its surplus funds. As a result, the Group reported the total investment income, including bank interest income, of HK\$45,665,000 (2004: HK\$35,466,000). Since the escalation of interest rates and downturn of the bonds market, the Group will keep on its conservative strategy to avoid exposing to unnecessary risks.

HEALTH PRODUCTS

The health product business operated by our associated company has reflected steadily growth for the year under review. Recently, the associated company has just started to enter into a new market – pharmacy chain stores in Macau. The associated company shall continue its effort in exploring more new opportunities for the whole series of Win U Boost products and expects that sales performance will be improved in the foreseeable future.

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The discussion with one of the universities in Hong Kong on the clinical trial relating to function of our core product "WinUBoost" on the improvements on liver function has been in final stage. Upon the approval by the Ethical Committee of the University, the clinical trial will start soon and will last for around 2 years. Once the function of the product is proven, the associated company expects that it can capture the potential market for patients with liver disease, favourable returns will be anticipated.

Notwithstanding the expected improvements in result of our associated company, the expected return will still be insufficient to repay the loan advanced by the Group to the associated company in short to medium term. On a conservative and prudent basis, the Directors have decided to recognise in the year under review full allowance of loan due from the associated company in the sum of HK\$17,656,000.

CONCLUSION

The Group will keep on improving the garment business by expanding the wholesale network for our own brand "IXESSE" and also, soliciting OEM and ODM garment business in order to strengthen the profitability of the garment operation. For the health product operation, the Group is patiently waiting for the result of the clinical trial project and expects that reasonable contributions will be made to the Group in medium to long term.

The Group is confident in the prospect of these two operations.

On behalf of the board, I would like to take this opportunity to express my sincere appreciation to all our business partners and shareholders for their continuous support to the Group.

LAU TUNG HOI

Chairman

Hong Kong, 3rd October, 2005