

14. Pledge of assets

The Group's leasehold land and building, with an aggregate net book value of approximately HK\$9,364,000 as at 30th September 2005 (31st March 2005: HK\$9,289,000), was pledged to secure a mortgage loan granted to the Group.

15. Approval of Interim Report

The Interim Report was approved by the Board of Directors on 23rd December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30th September 2005, the Group's unaudited loss attributable to equity holders of the Company amounted to approximately HK\$31.5 million, while it was a profit attributable to equity holders of the Company of approximately HK\$13.1 million for the corresponding period in 2004. The decrease is mainly due to the effect of changes in the accounting policies related in respect of the Group's investment securities.

During the period, the Group adopted a number of new or revised Hong Kong Accounting Standards which are effective for accounting periods commencing on 1st January 2005. In accordance with the new Hong Kong Accounting Standards, the Group's investment securities has to be revalued to its fair value and the different between the cost and the fair value are required to recognise in the income statement. The Group previously recognised the investment securities at cost, as a result, due to the adoption of the new Hong Kong Accounting Standards, approximately HK\$28.7 million loss of the Group's investment securities has to be recognised as an expense in the income statement, which lead to the significant loss incurred for the six months ended 30th September 2005.

Regardless of the effect of significant loss recognised for the changes in accounting standards, the Group incurred a loss of approximately HK\$2.8 million from its apparel sourcing and apparel trading operations. The significant decrease in operating results is mainly due to two reasons; (i) the closure of marketing and compliance monitoring services in last year, and (ii) the Group has minimised the apparel sourcing division. Due to these two reasons, the Group's unaudited consolidated turnover for the six months ended 30th September 2005 decreased by 60% to approximately HK\$29.4 million, while it was approximately HK\$74.2 million for the last corresponding period in 2004.

The loss per share for the six months ended 30th September 2005 amounted to approximately 9.9 HK cents, while it was an earning per share of 4.1 HK cents for the last corresponding period in 2004, representing a decrease of approximately 1.4 times compared with the same period in last year.

Business Review

The Group is principally engaged in (i) apparel sourcing, (ii) apparel trading and (iii) sales support services.

Apparel sourcing

For the six months ended 30th September 2005, the segment turnover for apparel sourcing services amounted approximately HK\$3.3 million while it was approximately HK\$59.6 million in last corresponding period in 2004, representing a significant decrease of 94.5%. The main reason for such decrease is due to the fierce competition in the market. Following the PRC became a member of World Trade Organisation, the PRC implemented the free trade system which allow overseas buyers directly trade with the PRC factory. During the period under review, due to the implementation of the free trade system, numbers of our major overseas customers forced us to reduce the price of apparel products which far below with the costs. In order to protect the interests of the Group and our shareholders, the management is keen to maintain its existing price strategies and refuse the reduction in the price of apparel products. As a result, the Group lost several sizable customers in the apparel sourcing operation and therefore, led to the significant decrease in turnover during the period under review.

In addition to the loss of customers due to the disagreement in price, the apparel sourcing operation is facing a continuing increase in operating costs during the period under review. As a result, the Group recorded a loss of approximately HK\$3.3 million in the apparel sourcing operation, while it was a profit of approximately HK\$6 million in the last corresponding period in 2004.

Due to the above reasons, the Group decided to minimise the apparel sourcing operation and reallocate its resources to other profitable operation.

Apparel trading

During the period under review, the Group's apparel trading formed a major operation to the Group. The Group currently has two outlets located in Hong Kong and Macau for trading of apparel products in Hong Kong and Macau. Since the establishment of the apparel trading operation, the sales are promising. The unaudited segment turnover for the six months ended 30th September 2005 amounted to approximately HK\$26.1 million and recorded a profit of approximately HK\$1 million. The Group enjoy relatively high profit margin in the apparel trading operating which was a result from the good historical business relationship with the manufacturers in the PRC.

Sales support services

During the period under review, no turnover derived from the provision of sales support services (2004: Nil), which was mainly due to the quota system for textile products export to the US ceased in last year. There was no barrier for textile trading/manufacturing companies to export to the US. As a result, the Group lost its unique features for provision of the sales support services. For the purpose of cost effectiveness, the Group scaled down the operation of sales support services to minimum level.

PROSPECT

Looking forward, following of the relaxation of travel policy of PRC citizens to Hong Kong and Macau, the Group plans to allocate more resources on its apparel trading operation in Hong Kong. In the near future, with sufficient cash flow on hand, the Group plans to expand its apparel trading operation by opening up one more outlet in Hong Kong. Furthermore, in order to build up the Group's position in the market, the Group plans to design its own brand name on its apparel products and commenced to negotiate with certain manufacturers for the supply of its own apparel products. The management of the Company is confident that the apparel trading operation will continue to bring positive return to the Group and our shareholders.

Other than the aforementioned, the Group will continue to explore and identify investment and acquisition opportunities so as to enhance shareholders' value.