

# CHAIRMAN'S STATEMENTS

## FINANCIAL RESULTS

The Group's consolidated turnover and profit before taxation for the year ended March 31, 2006 amounted to approximately HK\$153 million and HK\$12.3 million respectively, representing a decrease of 13% and an increase of 5% respectively from last year. The Group's decrease in turnover was attributed to the uncertainties of the trade environment during the negotiations between the United States ("US") and the People's Republic of China (the "PRC") in the last quarter of 2005, US importers and buyers have held up and transferred their orders of garment products to other countries. However, a three-year agreement on imports of Chinese clothing and textiles was reached between the US and the PRC in November 2005 and has been effective from January 1, 2006 till December 31, 2008. This agreement has removed the uncertainties for buyers and create a stable and predictable environment for the US importers to place orders again starting from the first quarter of 2006.

The increase in profit before taxation was due to the higher profit margin and also an increase in the other operating income. During the year, the Group has changed the composition of the Group's garment product mix by increasing the sales of its high-end lines of ladies fashion, which contributing to the higher selling price and profit margin. The Group's gross profit margin increased to 15.3% in 2006 from 13.8% in 2005. The increase in other operating income was due to the increase in bank interest income which attributed to the increasing interest rate. The demand for the Group's garment products from its US customers remains stable as evidenced by the Group's five months' worth of back orders.

The Group was able to maintain overheads in line with the level of its business activities. The Group's 2006 profit attributable to shareholders increased by 4.9% to reach HK\$11.1 million for the year and the Group's basic earnings per share was 6.62 HK cents, an increase of 4.9% from 6.31 HK cents in 2005.

## FINANCIAL POSITION AND LIQUIDITY

The Group's financial position remained strong during the year, allowing the Group to rely principally on internal resources to fund its operation and investment activities. As at March 31, 2006, the Group's net current assets were HK\$73 million, with cash and bank balances of HK\$51 million as compared to HK\$64 million in net current assets and HK\$40 million in cash and bank balances as at March 31, 2005. As at March 31, 2006, the Group's gearing ratio and current ratio were 0% (2005: 0%) and 6.8 times (2005: 3.6 times) respectively. The gearing ratio of the Group is expressed as a percentage of total borrowings to shareholders' funds.

As at March 31, 2006, the Company pledged its bank deposit of HK\$8.6 million to secure the banking facilities granted to the Company. The Company has contingent liabilities of HK\$20 million in the form of a corporate guarantee to secure general banking facilities granted to a subsidiary. The Group's exposure to foreign currency risk is insignificant because the majority of its income and expenses are US Dollar based.

## EMPLOYEES

The Group maintains 20 employees, whose salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include mandatory provident fund and an education subsidy to encourage staff's professional development. The Group also has a discretionary share option scheme in place designed to award employees for their performance. There was no share option granted to any employee during the year.

### FUTURE PLAN AND PROSPECTS

The Group remains optimistic about the prospect of its core business. The bilateral agreement between the PRC and the US, as mentioned above, has strengthened the confidence of US importers to place orders again since the first quarter of 2006. Therefore, the future of our garment business will be on track. In fact, we are planning to expand our production facilities in the next three years for the possible booming of sales.

Regarding our health supplement business, due to the release of our Chief Operating Officer who is also the key member of our Research and Development team of our health supplement products, the Board of Directors decided to put on hold of the Group's health supplement business until we find a replacement as the successor.

### APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our management team and employees for their efforts during the past year. I would like to thank our business associates and shareholders for their confidence and continued support.

On behalf of the Board

**Kong Ho Pak**

*Chairman*

Hong Kong, July 7, 2006