BUSINESS REVIEW

Securities dealing and broking, and financing

The turnover from securities dealing and broking and financing amounted to HK$12.8 million (2005: HK$20.1 million). As a small to medium size broker firm, the Group was under tremendous pressure and competition from other major securities broker firms and banks in Hong Kong. In addition, the Group had adopted a prudent approach in conducting its margin financing business and had strengthened its customer credit control.

The internet securities trading system of the Group was officially launched last year. With our efforts on continual upgrading and fine-tuning of the system, the system is now available to all customers of the Group. This would enhance our competitive edge and in particular, is well received by our customers in mainland China. To further capture the opportunity, the Group will consider increasing the capital base of the securities business and will continue to launch more customer-oriented value-added service to its customers in future with a view to gaining customer confidence in the Group.

General import and export trading

After the abolishment of the quota restrictions in 2005, garment importers now have more supplier choices and consequently, they will select suppliers based on the criteria of cost, quality and production lead-time. To face this new challenge, the Group had taken strategic moves during the year, such as the decision to close down the sample production room in the PRC and the restructuring of the trading team. Although such actions would result in a short-term decrease of turnover of the trading business, the management believe that it will bring long-term benefits to the Group.

The Group is committed to multi-product and multi-market strategies. With the leadership of the new management, the Group has gained access to new potential customers and new product categories. The Group is now exploring certain new markets such as the United States and Japan. Regarding products, apart from the sweater, the Group will also expand the range of products to woven shirts and denim products.

In view of keen competition, the Group may look for co-operation arrangement with other apparel product companies as strategic business partners with a view accelerating its business expansion plan, increasing its customer base and widening its range of products.

PROSPECT

With the improvements in the global economy, particularly the recovery of Hong Kong economy and the settlement of trade disputes between China and the European Union as well as the United States at the end of 2005, all the essential elements which are beneficial to the Group's businesses have come together. The Board has undergone a review of its existing operations and formulated new strategies. The Board believes that a solid business model capable of generating stable income and good profitability is taking shape within the Group. The business model is built on the Group's positioning as a trust-worthy securities broker firm as well as a seasoned general import and export trading company.

For business to grow, capital investments and operating expenses are required to ensure the quality of services, to attract customers and to build up customers' loyalty, which are the costs to pay in any new business. However, in light of the keen competition in the industries in which the core businesses of the Group operate, the Group has implemented a tighter cost control in operating expenses as well as capital investments for this year. In addition, the Group has redefined its business strategies so that it will concentrate on profit-oriented businesses, while loss-making businesses will be faded out. As such, the Group has directed its resources to trading and securities businesses and has retracted its development pace in other non-core businesses.

The Group considers that strategic alliance with companies which would result in synergy is a good way to accelerate its pace towards expanding its market share. As such, the Group will consider to co-operate with its business partners for joint marketing and promotion efforts. This is essential given that the Group has maintained a small but efficient marketing team. The Directors believe that this alliance strategy of the Group will ultimately create value to its shareholders.

FINANCIAL REVIEW

During the year ended 31 March 2006, the Group recorded a turnover of approximately HK$71.6 million, which represented a drop of 25.8% compared to the previous year as a result of changes of management and workforce of its trading business. The loss attributable to shareholders amounted to approximately HK$14.0 million was due to the provision for accounts and loans receivable and suffering from interest expenses for a bank loan in relation to the investment in a toll road in Wuhan, China (the "Toll Road") from which no revenue was received by the Group as a result of relocation of the toll station by contractual joint venture (the "CJV") parter (the "CJV Partner") unilaterally.

At 31 March 2006, the Group had cash at bank and in hand totaled approximately HK$12.5 million (2005: HK$22.4 million) and net assets value of approximately HK$134.6 million (2005: HK$149.7 million).

Bank borrowings at 31 March 2006 amounted to HK$113.4 million (2005: HK$109.8 million), of which HK$95.8 million (2005: HK$48.8 million) were repayable within one year. The gearing ratio, being the ratio of bank borrowings and hire purchase payables of approximately HK$113.8 million to shareholders' fund of approximately HK$134.6 million, was about 0.85 (2005: 0.74).

At 31 March 2006, time deposits of HK$9.0 million, a property held for redevelopment of HK$47.0 million, an investment property of HK$14.6 million and the Group's investment in a joint venture amounted to approximately HK$151.8 million were pledged to secure the banking facilities granted to the Group.

INVESTMENTS

During the year ended 31 March 2006, the Group had no material new investment. At 31 March 2006, the Group held a portfolio of listed securities with the market value of approximately HK$5.6 million.

As disclosed in the Company's announcement dated 27 February 2004, the CJV Partner in the Toll Road had unilaterally decided to relocate the toll station of the Toll Road, which results in significant drop in traffic flows of the Toll Road. Over the past two years, the Group liaised with the CJV Partner for compensation for the losses. As both parties didn't come to an agreed consideration for the compensation, the Group applied for arbitration through the Wuhan Arbitration Commission (the "WAC") in China in October 2004. In April 2006, the WAC arbitrated that the Group could transfer its investment in the CJV to the CJV Partner at the consideration of RMB157,298,300. Both parties are now under the discussion of the execution of the arbitration. Further announcement will be made in due course as required.

CREDIT POLICIES

Trading terms with general trading customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the terms are extended to 90 days.

For the securities dealing & broking and financing businesses, financial assistance will be granted based on assessment to financial status, repayment records and the liquidity of collaterals placed by a customer and the interest rate will be determined thereon. Financial assistance will be repayable on demand once a customer fails to repay any deposit, margin or other sum payable to the Group.

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars and Renminbi. The Group does not hedge exchange rate fluctuation between Renminbi and Hong Kong dollars as the borrowing in Renminbi is matched by assets denominated in Renminbi and the risk is considered minimal. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

CONTINGENT LIABILITIES

As at 31 March 2006, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK$19.5 million (2005: HK$18.1 million) had been utilized.

LITIGATIONS

Details of the litigations are set out in note 39 to the financial statements

STAFF

As at 31 March 2006, the Group employed 57 employees (2005: 77). The drop was due to lay off of staff as a result of streamlining the Group's operations. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.