

Chairman's Statement



With the growth in global economy sustaining in 2005 and 2006, the Group's businesses were also benefited therefrom. Presented with immediate business opportunities, the Group realigned and continued to expand its fashion garments distribution network in the PRC and Hong Kong. In the meantime, the development of nano business was also solidified. During the year under review, the Group recorded a turnover of HK\$1,343,852,000, representing an increase of 47.1% as compared with that in the previous year. The Group's profit attributable to the equity holders of the company was HK\$103,406,000. Basic earnings per share was HK4.3 cents.

The board of directors recommended a final dividend of HK0.8 cent per ordinary share for the year ended 31 March 2006 (2005: HK0.8 cent per share). With an interim dividend of HK0.5 cent per share, total dividend per share for the year under review was HK1.3 cents.

Expanding in Fashion Garments Business to Enhance Revenue Sources

The Group always strives to stay abreast with the latest market trend. In recent years, the local retail market remained buoyant, and stronger consumers demand presented business opportunities to the market. However, the same also resulted in surging rental costs, causing heavy burden in the local retail industry. As a result, the Group continued its principles of flexibility in tackling changes, and repositioned its sales network, closed outlets with expensive rental costs upon lease renewal, and explored certain areas with growth potential. Following the refurbishment of the shopping malls under management by The Link Real Estate Investment Trust ("The Link"), these shopping malls attracted more visitors while rental costs are maintained at reasonable levels. This would help to alleviate the pressure on rental incurred by the Group on its retail business while expanding its sales network coverage. As such, the Group leased a number of retail shops from The Link under a portfolio of rental arrangements. Meanwhile, the Group also identified other outlets in districts with favourable conditions, so as to further reposition and accelerate the expansion of local sales network. In addition, the Group continued to focus its fashion garments retail and wholesale businesses expansion in second and third-tier cities in the PRC. Growth in the development of fashion garments business in the mainland had been steady. The PRC remained the Group's principal market of development.

Moreover, the Group launched the world's first feather-fiber textile patent technology in December 2005. This pioneer invention utilizes creative technology to improve traditional products, launching the "Super Warm Micro Feather Series", which was well received by consumers in the PRC and Hong Kong. The Group firmly believes that such product of innovative technology is of huge development potential. The Group will further explore a range of products applying such patent technology so as to bring more quality products to its customers and expand the revenue base of its fashion garments business.

By riding on the Group's experiences in the manufacturing, retailing and wholesaling of garments gained during past years, a solid base of fashion garments business and effective sales strategies were successfully established. Moreover, the Group made consecutive successes in the textile product technology aspect during recent years. Both the "NanoEco Series" and the "Super Warm Micro Feather Series" were well received by the local and overseas markets. Therefore, during the year under review, the Group also offered services of one-stop textile product solution to its customers. From the design of textile products, materials procurement, production planning and quality control, solution based services that best suit its customers were provided by the Group. Development in the Group's textile trading business was thus strengthened.

Strengthening Infrastructure Facilities and Enhancing Productivity

As development in the nano business becomes mature, the Group not only extended the technology applications and stepped up its momentum in the process of commercialization, but also increased its production capacity in order to satisfy market needs. The Group completed the construction of a nano textile processing and production base in Nanchang, Jiangxi Province in September 2005. Once production reaches full capacity, the Group's capability in the processing of nano textile product will increase substantially. The Group has become one of the leading nano textiles enterprises in the PRC. At the same time, the Group has also collaborated with a number of leading textile enterprises in the mainland and overseas to further expand its technology applications to produce textile raw materials such as textile fabrics, cashmere and wool yarn, developing vertically upstream on its supply chain.

Diversifying Products Development and Expanding Business Network

The Group plans to further expand and diversify the fashion garments business by way of implementing a multi-brand strategy with products ranging from middle-to high-end for the purpose of enlarging the Group's profit in the sales of garments in the PRC and Hong Kong. As the economic growth of the PRC and the local retail market continue in a positive trend, the Group will accelerate its pace to expand its sales network among the region. In addition, by capitalising on its years of experiences in garments production retail and wholesale, combining the strong capabilities conferred by the nano production base, the Group will devote its best endeavours to expand the fashion garments trading business and continue to develop markets with potentials.

There is an increasing demand for nano textile products processing in the market. Therefore, the Group will further increase the production capacity and expand the licensing business of nano business according to market demand, and extend the application of nano technology to other products and enlarge the sales channels and network.

Looking forward, the Group will maintain the two-prong development in its business, with diversification in the fashion garments business and the steady growth of nano business, turning both into the strong driving forces for the growth of the Group's business in future.

I would like to thank our business partners, customers, suppliers and shareholders for their unwavering support, as well as our management team and staff for their total dedication to the Group's success.

Leung Ngok
Chairman
Hong Kong, 25 July 2006

