

**Chairman's Statement****RESULTS**

The Group achieved a profit of HK\$252,000 for the year under review after charging/crediting the following:

- unrealised loss on revaluation of financial assets measured at fair value through profit or loss of HK\$20,920,000 (2005: HK\$4,733,000)
- increase in fair value of investment properties of HK\$1,520,000 (2005: HK\$2,640,000)

Excluding the above unrealised provisions, the profit attributable from the Group's operation was HK\$19,652,000.

**GARMENT OPERATION**

The garment business in China has been relatively difficult for the year under review. Rather than focusing on the development of our own brandname IXESSE which required more marketing resources, the Group has been exploring more OEM/ODM business. As a result, the performance of the garment segment has improved and the loss reduced by 28.9% for the year under review. The Group will continue its effort towards developing more OEM/ODM business.

For our own brand, IXESSE, a product development team has been set up to redefine the market position and reinforce the brand image. In addition to the enrichment of the product collection and creating a fresh image, the Group will recruit a professional team to enhance the sales and marketing functions. The Group is optimistic that the IXESSE business will improve in the coming seasons.

The Group will not only aim at expanding the market share in garment industry in China, but also introducing its products to other Asian and middle-east countries. A series of exhibitions will be held in these countries and the Group anticipates that these potential markets would generate some contributions to the garment operation.

**INVESTMENTS**

It is the Group's policy to maintain a conservative investment portfolio. The main investment of the Group is in debt securities that can generate stable interest income and also capital protected. In view of the unclear economic market situation, the Group shall keep this prudent policy in the investment decisions and try to maximise the return on the surplus fund.

An unrealised loss on revaluation of financial assets measured at fair value through profit or loss of HK\$20,920,000 has been made. The Group has sufficient funding and there is no need to liquidate these investments until maturity. The full principal amounts of these investments will be recovered upon its maturity or callable date.

**Chairman's Statement****HEALTH FOOD**

The health food business has experienced a steadily growth, although it has yet to achieve breakeven position.

We are pleased to announce that the associate company has overcome all obstacles and obtain the approval to start the clinical trial in one of the university in Hong Kong. The trial has commenced in September 2006.

In addition to the clinical trial, the associate company continues using scientific approaches to prove the function of the product, WinUBoost, as preventive and therapeutic agents for various liver disease instead of increasing the budget on marketing activities. The recent animal test carried out by one of the university in Hong Kong proved that the product WinUBoost has potential uses to improve biological function of liver, particularly detoxification and restoring homeostasis. Further animal tests on cirrhosis have been started and if the results are positive, they will be published in the Medical Research Journal of SCI3-4 at the end of this year or early next year. Thereafter, the associate company will seek appropriate institutions to carry out the cell tests on the cancer/liver diseases.

With positive results from the animal tests and the clinical trials, the health food business will see a breakthrough and the Group expects to gain satisfactory reward in the coming years.

**CONCLUSION**

The Group will take appropriate measures to improve the garments and health food operation and is optimistic that they will improve in the medium to long term.

The Group maintains a conservative investments policy for the surplus fund with a primary objective that the investments should generate sufficient cash flow for the operations.

**Lau Tung Hoi**

*Chairman*

Hong Kong, 12th October, 2006