MANAGEMENT DISCUSSION AND ANALYSIS

For the Period, the Group recorded a consolidated turnover of approximately HK$36.6 million, representing a decrease of 23.5% from HK$47.8 million as compared with the last corresponding period. The decrease in turnover was mainly due to the low turnover in the securities trading segment for the Period. The net loss of the Group for the Period was approximately HK$21.0 million (2005: HK$13.6 million), out of which approximately HK$13.3 million net loss was arising from loss on sale of available-for-sale financial assets.

REVIEW OF OPERATIONS

Apparel Trading and Retailing

Apparel trading and retailing business was the core operation for the Group during the Period. It mainly involved in the wholesale and retail of products through an extensive network in Hong Kong, Macau and mainland China. The segment recorded a loss of approximately HK$5.0 million for the Period, compared with a loss of approximately HK$7.3 million for the last corresponding period. Turnover decreased 15.5% to approximately HK$36.5 million.

The Group has established a distribution network of 23 sales outlets in the key cities of mainland China, such as Shanghai, Beijing and Guangzhou, compared with 17 sales locations in the previous period.

Since April, the Group had been taking cost-control measures in both mainland China and Hong Kong to improve its profit margins. Due to the sales and marketing efforts in clearing slow moving stock, the operating margins were improved to 49.4% from 44.3% for the previous period. It had also boosted operational efficiency by better utilizing the office and inventory storage space in Hong Kong and mainland China.

REVIEW OF OPERATIONS *(Continued)*

Securities Trading

The operation from securities trading resulted in a loss of approximately HK$3,000, compared with a profit of HK$149,000 in the last corresponding period, with a turnover of approximately HK$55,000, down from HK$4.6 million respectively. Securities trading business is a kind of business which requires a substantial working capital where no margin financing facilities is utilized. The management had always adopted a more prudent investment approach and was reluctant to use margin financing to fund its securities trading business as margin trading is fundamentally regarded as higher risk than cash trading. During the Period, most of the Group's working capital had been applied to the apparel segment. As a result, the securities trading segment did not record much activities during the Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2006, the Group employed 157 permanent employees, including 66 employees in Hong Kong and 91 in mainland China. The Group continued to review the remuneration packages of employees with reference to the level and composition of pay, general market conditions and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme and discretionary bonus, share option scheme, medical allowance and hospitalization scheme and housing allowance.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had been funding its operation entirely by shareholders' equity and cash generated from operations and short term loan. Total non-current assets and current assets of the Group as at 30 September, 2006 were approximately HK$1.4 million and approximately HK$67.1 million which were financed by non-current liabilities, current liabilities and shareholders' equity of approximately HK$1.0 million, HK$31.8 million and HK$35.7 million respectively.

The gearing ratio (calculated by total short term loans as a percentage to the net assets value of the Group) of the Group increased from 21.5% as at 31 March 2006 to 26.2% as at 30 September 2006.

With cash generated from the Group's operation in its ordinary course of business, the Directors expected that the Group will have sufficient working capital for its existing operations.

The Group had limited exposure to fluctuation in exchange rates.

CAPITAL STRUCTURE

At a special general meeting of the Company held on 26 April, 2006, a special resolution was passed pursuant to which the paid up capital of the Company was reduced from HK$0.001 to HK$0.00005 per share ("Reduced Share") by cancellation of HK$0.00095 of the paid up capital on each issued share ("Capital Reduction"). As a result of the Capital Reduction and based on the number of issued shares of the Company as at 26 April 2006, an amount of approximately HK$1,661,000 from the share capital account of the Company was cancelled and credited to the contributed surplus account of the Company where it was utilized to set off the accumulated losses of the Company. Immediately following the Capital Reduction became effective on 9 May 2006, every 20 Reduced Shares were consolidated into one share of HK$0.001 each resulting in the total issued share capital of the Company reduced to 87,421,652 shares.

CHARGES ON ASSETS

Short term loan was secured by the Group's equity interest in a subsidiary, a charge on loan due by this subsidiary and a time bank deposit of approximately HK$5.3 million. It was repayable within one year.

PROSPECTS

For the apparel operation, the Group had decided to close down some image counters due to high guarantee commission payment. Those counters were replaced by sales counter, of which the rents were charged without minimum guarantee. The Group expected a lower sales turnover as a result but higher profit margin.

PROSPECTS *(Continued)*

The Group had extended its apparel wholesales operation to more mainland provinces. The management will cautiously monitor its retail outlets expansion in mainland China, in particular the second-tier cities while trying to control operation cost and sustain gross profits. The Group is also considering bringing in more wholesales partners to further its market penetration.

Whereas in Hong Kong, the management will keep the growing momentum of its wholesale business with the existing and potential partners. It plans to launch more bargain counters in order to clear off-season stock and work with retail partners in joint promotions to boost sales volume.

On the other hand, the Group has been actively exploring new investment opportunities with a view to broaden and diversify its income base. However, as mentioned in the section headed "Liquidity and Financial Resources" above, the Group had been funding its operations entirely by shareholders' equity and cash generated from operations and short term loan. As at 30 September 2006, short term loan of HK$9.4 million was outstanding and the gearing ratio was increased from 21.5% as at 31 March 2006 to 26.2% as at 30 September 2006. The short term financing structuring of the Group has been hindering the management's efforts in seeking new investments opportunities in which substantial long term capital investment is required. As a result, the management endeavours to seek longer term sources of funding for the Group with a view to strengthen its financial positions as well as to allow the Group more flexibility in exploring new investment opportunities.