

## CHAIRMAN'S STATEMENT

The Group generated a profit attributable to shareholders in an amount of HK\$2,888,000 for the year under review, representing a decrease of 95.7% compared with last year (2003: HK\$67,464,000). Profit of last year was contributed principally by gain of HK\$69,847,000 on the timely realisation of a substantial portion of the Group's investments in debt securities. With the downturn of the debt market, the Group is not able to accomplish any substantial result on its debt securities investments this year. Despite the macroeconomic adjustments in Mainland China during the first half of this year, which has far more adverse impact on the garment sales market in China than the outbreak of SARS in year 2003, the Group still managed to achieve 29.6% growth in the turnover of its garment business. Notwithstanding keen competition, China is a tremendous market for garment sales. With increasing market reception, our extensive sales networks, competitive pricing, uniqueness of the materials used in our products thus limiting competition from similar products, the Group's garment business will in long term definitely be making reasonable contribution to the Group's profit.

The Group first set up its garment production facilities in China in 2001 and launched its products into the market in following years. Within this period of 3 years, our brand has been receiving increasing popularity and growing market reception. To foster and expand its market position, the Group will strive to diversify its product lines and extend the variety of its collections.

With rise of interest rates, debt securities are undergoing downward adjustments. The Group nevertheless managed to steer safely by embarking its surplus cash on portfolios of debt securities balanced in risks and tenors.

The range of the health products produced by our associated company has been expanded. In addition to WinUBoost and Flu Proof, Energize Supreme and Bloodves Rejuvenator will be launched for sale in the market. All of the four products were lodged for registration with the Chinese Medicine Council of Hong Kong before 30th June this year. The Chinese Medicine Council of Hong Kong has issued a manufacturer licence in proprietary Chinese medicines to the production factory and Hong Kong Q-Mark Council of the Federation of Hong Kong Industries has awarded a Q-Mark Service Scheme Certificate to our associated company.

The products of the associated companies were officially offered to the market on 18th November, 2003. After more than 8 months sales through leading chain stores in Hong Kong and Macau, the sales have stabilised. Save for advertisement expenditures, the associated companies will soon be in a position to have its ends met.

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The functions of the products of our associated companies are:

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|-----------------------|--|
| WinUBoost:            | Relieve the discomfort and side-effect suffered by cancer patients during radiotherapy, chemotherapy and medical treatment, remove harmful substances in the liver and alleviate symptoms caused by hepatitis. |
| Flu Proof:            | Relieve symptoms of influenza and improve immune system during outbreak of influenza.  |
| Energize Supreme:     | Regularise the constitution of the whole body, delay aging and menopause, strengthen vigour for men and women.   |
| Bloodves Rejuvenator: | Stabilize blood pressure, reinforce metabolism, promote blood circulation, maintain kidney capability and keep blood vessels healthy.  |

The associated companies have been in discussion with various universities in Hong Kong to render reports on the pharmaceutical and clinical effect of WinUBoost. With the effect proven, it is expected that the sales of the product will escalate after publication of the reports.

The above products have, before public sales, been in limited supply and benefiting private patients for the past 10 years. With the products now publicly available, the sales will be pushed up with the recommendations of the existing users.

The associated companies have also been actively participating in health and herbal products exhibitions in Hong Kong and other parts of the world with a view to promote the products in other territories.

As the Group's garment business and health product business of the associated companies have gradually been on track, and with sufficient cash surplus, the Board has resolved to recommend the payment of a special dividend of HK16 cents per share for the year under review.

**LAU TUNG HOI**  
*Chairman*

Hong Kong, 16th September, 2004