

CHAIRMAN'S STATEMENT

For the year ended 31 March 2006, the Company and its subsidiaries (collectively referred to as the Group) recorded a consolidated turnover of approximately HK\$91.9 million, representing a decrease of approximately 39.5% from HK\$151.9 million in the last corresponding year. The drop in turnover is mainly due to the decrease in turnover in the securities trading segment as well as the discontinued operations ceasing to contribute to the Group for the year. The net loss for the year was approximately HK\$22.8 million compared with the profit of HK\$4.6 million, mainly attributable to the gain on disposal of subsidiaries of approximately HK\$21.6 million, in the last corresponding year.

REVIEW OF OPERATIONS

Apparel Trading and Retailing

Apparel trading and retailing business was the core operation for the Group during the year. It mainly involved in the wholesale and retail of products through an extensive outlet network in Hong Kong, Macau and the PRC. The segment recorded a loss of approximately HK\$11.7 million for the year, compared with a loss of approximately HK\$9.7 million for the last corresponding year. Turnover decreased by 4.5% to HK\$86.9 million.

The Group has established a distribution network of 23 sales outlets in the key cities of the PRC, such as Shanghai, Beijing and Guangzhou, compared with 20 sales outlets in the previous year. The operation has been heavily affected by keen competition and serious privacy in the PRC, which accounted for the decrease in turnover. To fight against the circumstances, the management decided last year to re-build its image by focusing on quality and personal styling. Due to the sales and marketing effort in clearing slow moving stock, there was a write back of provision for slow moving stock of approximately HK\$5,195,000. And the profit margin was slightly improved compared with last corresponding year. The Group, in Shanghai, had opened a self-operated shop in Shanghai Mason Mode Department; while in Beijing, it had renovated all counters to cope with the new image.

Securities Trading

The operation from securities trading resulted in a profit of HK\$189,000, compared with a profit of HK\$26,000 in the last corresponding year, with a turnover of HK\$5.0 million, down from HK\$61.0 million. A more prudent investment approach together with a portfolio composition of longer term investment lead to a decrease in turnover as against an improvement in the contribution to the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2006, the Group employed 167 permanent employees, including 75 employees in Hong Kong and 92 in the PRC. The Group continued to review the remuneration packages of employees with reference to the level and composition of pay, general market condition 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 31 March 2006 were approximately HK\$5.3 million and approximately HK\$68 million which were financed by non-current liabilities, current liabilities and shareholders' equity of approximately HK\$1.0 million, HK\$28.4 million and HK\$43.9 million respectively.

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The gearing ratio (calculated by total short term loans as a percentage to the net assets value of the Group) of the Group was reduced from 32.7% as at 31 March 2005 to 21.5% for the year.

Together with cash generated from the Group's operation in its ordinary course of business, coupled with the net proceeds from the open offer under the heading of Capital Structure below, the Directors expected that the Group will have sufficient working capital for its operations.

The Group had limited exposure to fluctuation in exchange rates.

CAPITAL STRUCTURE

A proposal to raise approximately HK\$30 million before expenses by an open offer ("Open Offer") of 1,311,324,786 shares at a subscription price of HK\$0.023 per share was approved by the shareholders at a special general meeting held on 25 November 2005. After the completion of the Open Offer on 9 December 2005, the number of issued shares of the Company increased to 1,748,433,048.

Subsequent to the financial year end, a special resolution was passed at a special general meeting of the Company held on 26 April 2006 pursuant to which the paid up capital of the Company was reduced from HK\$0.001 per share 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 will be utilized in accordance with the bye-laws of the Company and all applicable laws, including to set off the accumulated losses of the Company. Upon the Capital Reduction taking effect, every 20 Reduced Shares were consolidated into one shares of HK\$0.001 ("New Share") each resulting in the total issued share capital of the Company reduced to 87,421,652 New 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\$1.7 million. It was repayable within one year.

PROSPECTS

The management of the apparel operation will cautiously monitor its retail outlets expansion in the PRC, watching closely on those key markets as well as keeping an eye on those fast-growing second-tier cities such as Xian and Chengdu while trying to control operational expenses and sustain gross profits. The Group also plans to bring in more wholesale 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 will also work with retail partners in joint promotions to boost sales volume.

The Group will continue to seek suitable investment opportunities with a view to broaden and diversify its income base.

Wong Ching Ping, Alex
Chairman

Hong Kong, 14 July 2006