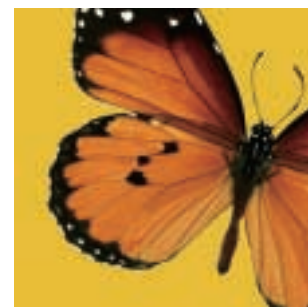




Chairman's Statement & Management Discussion and Analysis

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To Shareholders,

On behalf of the board of directors of the Group, I hereby present the annual report for the year ended 31 December 2006.

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

FINANCIAL RESULTS

The board of directors was pleased to inform the shareholders that we had succeeded in turnaround of the Group in 2006. The Group has recognized a net profit attributable to equity holders of the Company of HK\$1.1 million for the year ended 31 December 2006, representing an improvement of HK\$32.9 million as compared with a net loss attributable to equity holders of the Company of HK\$31.8 million last year.

Turnover increased by HK\$12.8 million over last year to HK\$257.5 million mainly as a result of the growth of turnover in sale of fabrics during the year. The Group's gross profit margin increased to 15.4% as compared with 5.1% last year. The substantial improvement in operating performance was mainly attributable to the Groups' strategies and efforts in:

1. switching its core business to sale of fabrics;
2. adjusting the pricing strategy of fabrics processing services to pull up the overall profit margin;
3. monitoring closely the direct production costs of the dyeing factory in Zhongshan to avoid any reoccurrence of inefficient running; and
4. expanding the customer base to reduce the reliance upon single or a small batch of customers.

The Group's core business, sale of fabrics, showed an encouraging increase in turnover by 46.5% to about HK\$92 million. Since the middle of 2005, the Group strategically reduced its reliance on purely fabrics processing services provided by the dyeing factory. As a result, turnover derived from provision of fabrics processing services during the year dropped by 27.7% to HK\$45.9 million. Turnover generated from trading of garments and accessories maintained a steady result of HK\$119.6 million.

Chairman's Statement & Management Discussion and Analysis



Distribution costs included costs related to sales and marketing functions of the Group. During the year, the Group expanded the sales team of fabric trading business both in Hong Kong and the People's Republic of China (the "PRC") to capture more market share, the distribution costs increased by about HK\$2.6 million. After the commitment of tight cost-controls, administrative expenses and other operating expenses decreased by about HK\$7.7 million. Finance costs increased slightly to HK\$4 million because the Group utilized its available banking facilities to finance the business of fabric trading.

REVIEW OF OPERATION

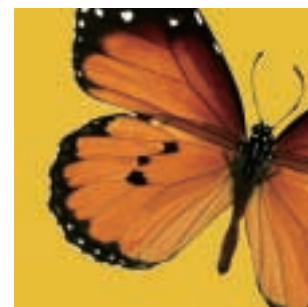
Sale of Fabrics

Turnover generated from sale of fabrics increased by 46.5% to HK\$92 million and recorded a turnaround segment result of HK\$5.5 million. Compared with fabric processing, sale of fabrics have a higher profit margin and fewer claims on fabric's quality. As the GDP in the PRC grew by more than 11% during 2006, the Group continually allocate more resources in that rapid expanding economy by engaging more sales persons with high caliber to tap this market. The newly formed fabric trading subsidiaries had turned around and yielded satisfactory results during the year. The group will continue to form strategic alliance with sales persons with high marketing caliber in order to widen our exposure and knowledge over different types of dyed fabrics in textile industry.

Fabric Processing

On the contrary, increase in costs of production, e.g. fuel prices and minimum wages, continued to be an unfavorable factor in operating factory in the PRC. To strengthen its competitive edge, the Group has already closely monitored the factory's production processes to improve its efficiency and quality. As the fabric processing sector continued to face competition from the state-owned enterprises and tight environmental protection requirement in Pearl River Region of the PRC, the industry have been consolidated for the past several years. Those smaller, less efficient and over-polluted dyeing factories were ousted in that area. After years of efforts to maintain industry recognized qualities and standards, the Group retained customer loyalty and our business in fabric processing sector was generally recovered. As the profit margin remained at a low level for years, the Group expected that there would not be a substantial growth in this sector in near future. Therefore, the Group strategically reduced its reliance on purely fabrics processing services provided by the dyeing factory to avoid hindering the future performance of the Group. Thus turnover generated from provision of fabric processing services decreased by 27.7% to HK\$45.9 million. In addition, the Group became extremely cautious in accepting processing orders. Only processing orders with higher profit margins and from customers with good payment records were selected and accepted. Although it led to a drop in turnover, its segment loss also reduced by 78.9% to HK\$5.2 million during the year owing to a large decrease of unsubstantiated quality claims from customers and the relatively higher profit margins derived from the latest customer orders.

Chairman's Statement & Management Discussion and Analysis



Sale of Garments and Accessories

Turnover generated from sale of garments and accessories accounted for about 46.4% of the Group's total turnover. It showed a steady result and a modest increase in segment profit by 4.4% to HK\$9.3 million. As the Group sells textiles, garments and clothing to certain major retailers and department stores in the United States, the strong market demand of garments in United States continued benefit the result of the Group in 2006. Also, the resumption of quota systems on China produced textile goods exported to the United States continued to provide a favorable environment for us with strong back-up of production bases in Southeast Asia like Bangladesh.

Prospect and Outlook

As the global economy keeps growing, the Group foresees that there will be an expanding potential market in sale of garments and accessories. The Group's success in sale of garments and accessories industry proved its abilities to capture additional market share. In order to ensure the benefits of the shareholders, the Group never stops to identify new business opportunities. Therefore, the Group decided to allocate resource to provide "One-Stop" service to the customers in future. In this sense, the Group, according to the customer's requirements, purchase raw fabrics and utilize our dyeing factory to provide fabric processing services. Finished fabrics will be arranged to the Group's strategic alliance to manufacture garments and delivered to customers.

As mentioned above, the increasing costs of production in Pearl River Delta remains as the main obstruction of the Group's expansion plans. The Group identified that the fabrics suppliers located in the northern PRC can offer fabrics with industrially recognized quality at lower prices. In future, the Group manages to seek opportunities to expand its production bases in these areas when transportation network and infrastructure are secured.

The promising result of the Group during 2006 reflected that the Group had determined a right direction of expansion. Consistent with 2006, the Group will continue to adopt the following approaches to maintain a steady pace of development in 2007:

1. Vertical integration of Group's operation in textile industry to maximize our profit margin;
2. Forming strategic alliance with salespersons with high marketing caliber to enhance our market position;
3. Concentration of the Group's resources on textile industry to maximize the efficiency of the Group's financial resources;
4. Exploration of the PRC domestic textile market to tap the high-speed growing potential of the PRC economy; and
5. Cautious production and administrative cost control to strengthen cash flow.

Chairman's Statement & Management Discussion and Analysis



In summary the following targets are set for 2007:

1. Increase the portion of sale of self-processed fabrics
2. Increase the portion of provision of fabric processing services to domestic PRC customers
3. Reduce direct processing costs of the dyeing factory in Zhongshan, the PRC; and
4. Increase the turnover derived from trading of dyed fabrics.

LIQUIDITY AND FINANCIAL RESOURCES

As the Group requires higher level of resources to expand its market share in sale of fabrics, the Group experienced a net cash used in operating activities of about HK\$1.3 million (2005: HK\$0.3 million).

At 31 December 2006, the Group had total assets of HK\$169.7 million which were financed by total liabilities of HK\$98.7 million and equity of HK\$71.0 million. Accordingly, the Group's ratio of debts to total assets and debts to equity were increased to 58.2% (2005:55.7%) and 139% (2005: 125.5%), respectively.

The Group financed its operation by internal cash resources and bank financing. During the year, no new equity shares had been issued for fund raising.

At 31 December 2006, the Group had cash on hand, bank deposits and bank balances for an aggregate amount of about HK\$30.3 million (of which about HK\$16.2 million was pledged with banks for banking facilities for the Group) and unutilized banking facilities for a total of about HK\$56.4 million, which we consider sufficient for normal daily operation and expansion.

APPRECIATION

I wish to extend my sincerest thanks and appreciation to staff at all levels within the Group and my fellow directors of their collective efforts, loyalty and continuing support to the Group during the year.

Yiu Ching On

Chairman

Hong Kong, 19 April 2007