GRANDTOP INTERNATIONAL HOLDINGS LIMITED

泓鋒國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2006

The Board of Directors of Grandtop International Holdings Limited (the "Company") announces herewith the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2006

	Note	**2006** *HK$'000*	2005 *HK$'000* (Restated)
Turnover	*2*	**48,428**	101,974
Cost of sales		**(38,892)**	(73,674)
Gross profit		**9,536**	28,300
Other revenue		**431**	380
Selling expenses		**(2,911)**	(4,636)
Administrative expenses		**(19,413)**	(10,092)
Impairment of provision for trade receivables	*3*	**(4,685)**	–
Impairment of goodwill		**(5,524)**	–
Impairment loss on prepayments, deposits and other receivables		**(4,745)**	–
Impairment loss on available-for-sale financial assets		**(33,245)**	–
(Loss)/profit from operations	*5*	**(60,556)**	13,952
Finance costs		**(149)**	(193)
Gain/(loss) on disposal of a subsidiary		**1,098**	(2,585)
(Loss)/profit before taxation		**(59,607)**	11,174
Taxation	*6*	**(20,003)**	(1,293)
(Loss)/profit for the year		**(79,610)**	9,881
Attributable to:			
Equity holders of the Company		**(79,610)**	2,160
Minority interests		**–**	7,721
		(79,610)	9,881
Dividend	*7*	**–**	–
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
Basic	*8*	**(HK$0.249)**	HK$0.007
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**12,103**	16,479
Leasehold land		**5,757**	6,241
Goodwill		**–**	5,524
Available-for-sale financial assets		**2,695**	35,940
		20,555	64,184
Current assets			
Inventories		**8,951**	11,303
Trade receivables	*3*	**5,392**	8,969
Prepayments, deposits and other receivables		**4,038**	10,871
Cash and cash equivalents		**2,488**	4,246
		20,869	35,389
Total assets			
Equity		**41,424**	99,573
Capital and reserves attributable to the Company's equity holder			
Share capital		**3,200**	3,200
Reserves		**51**	79,661
		3,251	82,861
Minority interests		**–**	2,262
		3,251	85,123
Non-current liabilities			
Interest-bearing bank borrowings, secured		**5,689**	5,950
Deferred tax liabilities		**167**	167
		5,856	6,117
Current liabilities			
Trade and other payables	*4*	**3,345**	6,909
Interest-bearing bank borrowings, secured		**261**	250
Tax payables		**20,450**	1,174
Amount due to a director		**8,261**	–
		32,317	8,333
Total equity and liabilities		**41,424**	99,573
Net current (liabilities)/assets		**(11,448)**	27,056
Total assets less current liabilities		**9,107**	91,240

Notes:

1. **Basis of preparation**

The consolidated financial statements of Grandtop International Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statements is historical cost convention and modified the revaluation of available-for-sale financial assets, which are carried at fair value.

In preparing the financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of the following:

(i) As at 31 March 2006, the Group has net current liabilities of approximately HK$11,448,000. The Group also incurred a net loss from ordinary activities attributable to equity holders amounted to approximately HK$79,610,000 for the year ended 31 March 2006; and

(ii) Tax liabilities in relation to the estimated assessments issued by the Hong Kong Inland Revenue Department of approximately HK$19,918,000 in respect of non-taxable claim of non-Hong Kong sourced income for the years of assessments of 1998/1999 to 2003/2004. Detail of which has been set out in note 6 to this announcement.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the Tax Obligations on the Group and the financial support of a controlling shareholder, at a level sufficient to finance the working capital requirement of the Group. The controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. If the going concern basis is not used, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The preparation of the financial statements requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

The adoption of new/revised HKFRSs

From the beginning of the financial year ended 31 March 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives figures for the financial year ended 31 March 2005 have been restated as required, in accordance with the relevant requirements. A summary of the new and revised HKFRSs is set out as below:–

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs

HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 4	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new and revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37, HKAS-Int 4 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now shown within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 33, 37, HKAS-Int 4 and 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciation. In prior years, leasehold land was classified under property, plant and equipment at cost less impairment.

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. With effect from 1 April 2005, the Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in share-based payment reserve. The share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercise price, when the option holder exercises its rights.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill prospective application is required. Until 31 March 2005, positive goodwill was capitalised and amortised on a straight line basis over its useful economic life of 15 years and was subject to impairment testing when there were indications of impairment.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortisation of goodwill from 1 April 2005;

– accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– from the year ended 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment;

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

– HKFRS 3 – prospectively after 1 April 2005.

The effect on the adoption of the new accounting policies in consolidated balance sheet and consolidated income statement were summarised as follow:–

Consolidated balance sheet

As at 31 March 2006

	HKAS 17 *HK$'000*	HKFRS 3, HKAS 36 and 38 *HK$'000*	HKAS 39 *HK$'000*	Total *HK$'000*
Decrease in property, plant and equipment	(5,757)	–	–	(5,757)
Increase in leasehold land	5,757	–	–	5,757
Decrease in investment in securities	–	–	(35,940)	(35,940)
Increase in available-for-sale financial assets	–	–	2,695	2,695
Decrease in trade receivables	–	–	(4,685)	(4,685)
Decrease in goodwill	–	(5,524)	–	(5,524)
Decrease in prepayments, deposits and other receivables	–	–	(4,745)	(4,745)
	–	(5,524)	(42,675)	(48,199)
Reserve	–	5,524	(42,675)	(48,199)

Consolidated income statement

For the year ended 31 March 2006

	HKAS 17 *HK$'000*	HKFRS 3, HKAS 36 and 38 *HK$'000*	HKAS 39 *HK$'000*	Total *HK$'000*
Decrease in depreciation	(484)	–	–	(484)
Increase in amortisation of leasehold land	484	–	–	484
Impairment of goodwill	–	5,524	–	5,524
Impairment loss on available-for-sale financial assets	–	–	33,245	33,245
Impairment loss on trade receivables	–	–	4,685	4,685
Impairment loss on prepayments, deposits and other receivables	–	–	4,745	4,745
Increase in loss attributable to equity holders of the Company	–	5,524	42,675	48,199
Increase in loss per share (HK$)	–	0.017	0.133	0.150

Consolidated balance sheet

As at 31 March 2005

	HKAS 17	HKFRS 3, HKAS 36 and 38	HKAS 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in property, plant and equipment	(6,241)	–	–	(6,241)
Increase in leasehold land	6,241	–	–	6,241

There was no impact on the reserves from the adoption of HKAS 17 as at 31 March 2005.

Consolidated income statement

For the year ended 31 March 2005

	HKAS 17	HKFRS 3, HKAS 36 and 38	HKAS 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in depreciation	(119)	–	–	(119)
Increase in amortisation of leasehold land	119	–	–	119

There was no impact on earnings per share from the adoption of HKAS 17 for the year ended 31 March 2005.

2. Turnover and segment information

Turnover

The Group's turnover comprised of the followings:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Apparel sourcing services	**4,524**	81,984
Apparel trading	**43,904**	19,990
	48,428	101,974

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different form those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting because this is more relevant to the Group in making operating and financial decisions.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

Analysis of and assets and liabilities by business segments and by geographical segments have not been prepared as most of the group's assets and liabilities were unable to be allocated in view of the nature of the Group's business.

Business segments

The following table provides an analysis of the Group's revenues, results and certain assets, liabilities and expenditure information by business nature:

	Continuing operations								Discontinued operation			
	Apparel sourcing services		Apparel trading		Sales support services		Subtotal		Marketing and compliance monitoring services		Consolidated Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue												
Sales to external Customers	**4,524**	81,984	**43,904**	19,990	**–**	–	**48,428**	101,974	**–**	–	**48,428**	101,974
Segment results	**(3,252)**	8,823	**(14,236)**	7,734	**–**	–	**(17,488)**	16,557	**–**	(2,985)	**(17,488)**	13,572
Other revenue											**431**	380
Net unallocated expenses											**(43,499)**	–
(Loss)/Profit from operations											**(60,556)**	13,952
Gain/(loss) on disposal of a subsidiary											**1,098**	(2,585)
Finance cost											**(149)**	(193)
(Loss)/profit before taxation											**(59,607)**	11,174
Taxation											**(20,003)**	(1,293)
(Loss)/profit for the year											**(79,610)**	9,881
Net (loss)/profit from ordinary activities attributable to shareholders											**(79,610)**	2,160
Minority interests											**–**	7,721
											(79,610)	9,881

	Continuing operations								Discontinued operation			
	Apparel sourcing services		Apparel trading		Sales support services		Subtotal		Marketing and compliance monitoring services		Consolidated Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**3,654**	28,642	**25,524**	17,030	**52**	327	**29,230**	45,999	**–**	–	**29,230**	45,999
Unallocated assets											**12,194**	53,574
Total assets											**41,424**	99,573
Segment liabilities	**2,821**	5,053	**9,317**	3,030	**–**	–	**12,138**	8,083	**–**	–	**12,138**	8,083
Unallocated liabilities											**26,035**	6,367
Total liabilities											**38,173**	14,450
Other segment information:												
Capital expenditure	**–**	1,672	**439**	2,942	**–**	–	**439**	4,614	**–**	–	**439**	4,614
Unallocated capital expenditure											**284**	–
											723	4,614
Depreciation and amortisation	**722**	320	**1,824**	453	**426**	255	**2,972**	1,028	**–**	–	**2,972**	1,028
Unallocated depreciation and amortisation											**659**	189
											3,631	1,217
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**169**	–	**169**	–	**–**	–	**169**	–
Other non-cash expenses	**3,595**	320	**11,241**	453	**169**	255	**15,005**	1,028	**–**	–	**15,005**	1,028
Unallocated other non-cash expenses											**43,514**	3,989
											58,519	5,017

Geographical segments

	Segment revenue						Segment results					
	Continuing operations		Discontinued operations		Total		Continuing operations		Discontinued operations		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**13,202**	6,106	**–**	–	**13,202**	6,106	**(4,653)**	339	**–**	–	**(4,653)**	339
Russia	**1,052**	31,872	**–**	–	**1,052**	31,872	**(253)**	2,024	**–**	–	**(253)**	2,024
South Korea	**1,545**	29,203	**–**	–	**1,545**	29,203	**(1,541)**	1,625	**–**	–	**(1,541)**	1,625
Panama	**1,006**	8,901	**–**	–	**1,006**	8,901	**(562)**	1,654	**–**	–	**(562)**	1,654
US	**1,421**	12,008	**–**	–	**1,421**	12,008	**(1,428)**	4,268	**–**	–	**(1,428)**	4,268
PRC	**8,954**	9,532	**–**	–	**8,954**	9,532	**(1,062)**	2,541	**–**	–	**(1,062)**	2,541
Macau	**21,248**	4,352	**–**	–	**21,248**	4,352	**(7,989)**	1,121	**–**	–	**(7,989)**	1,121
	48,428	101,974	**–**	–	**48,428**	101,974	**(17,488)**	13,572	**–**	–	**(17,488)**	13,572
Unallocated other revenue											**431**	380
Unallocated corporate expense											**(43,499)**	–
(Loss)/profit from operations											**(60,556)**	13,952
Finance costs											**(149)**	(193)
Gain/(loss) on disposal of a subsidiary											**1,098**	(2,585)
(Loss)/profit before taxation											**(59,607)**	11,174
Taxation											**(20,003)**	(1,293)
(Loss)/profit for the year											**(79,610)**	9,881
Net (loss)/profit from ordinary activities attributable to shareholders											**(79,610)**	2,160
Minority interest											**–**	7,721
											(79,610)	9,881

	Segment asset						Segment liabilities					
	Continuing operations		Discontinued operations		Total		Continuing operations		Discontinued operations		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**31,692**	90,996	**–**	–	**31,692**	90,996	**29,995**	9,331	**–**	–	**29,995**	9,331
Macau	**9,732**	8,541	**–**	–	**9,732**	8,541	**8,178**	5,119	**–**	–	**8,178**	5,119
Total	**41,424**	99,537	**–**	–	**41,424**	99,537	**38,173**	14,450	**–**	–	**38,173**	14,450

3. Trade receivables

The Group's general credit terms granted to its customers ranged from 0-60 days (2005: 0-60 days). The following is an aged analysis of the trade receivables at the balance sheet date.

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**3,586**	8,485
Between 31 to 60 days	**1,806**	484
Between 61 days to 1 year	**4,685**	–
	10,077	8,969
Less: Impairment of provision for trade receivables	**(4,685)**	–
	5,392	8,969

4. Trade and other payables

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Trade payables:		
Within 90 days	**1,628**	5,498
Within 91 days to 180 days	**727**	482
	2,355	5,980
Accrued expenses due within 30 days or on demand	**990**	929
	3,345	6,909

5. (Loss)/profit from operations

Expenses included in cost of goods sold, selling expenses and administrative expenses are analysed as follows:–

	The Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories expenses	**38,892**	73,674
Employee benefit expenses	**3,172**	2,640
Depreciation	**3,147**	1,098
Amortisation of intangible assets	**–**	233
Amortisation of goodwill	**–**	271
Amortisation of leasehold land	**484**	119
Auditors remuneration	**660**	500
Impairment loss on investment deposits	**2,745**	–
Impairment loss on loan receivables	**2,000**	–
Provision for obsolete stock	**6,689**	–
Operating lease rental in respect of rental premises	**1,163**	516
Irrecoverable bad debts	**–**	3,800

6. **Taxation**

The Group

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**85**	60
Current – Elsewhere		
Charge for the year	**–**	1,254
Provision for estimated assessments of tax liabilities *(Note)*	**19,918**	–
Over provision in prior year	**–**	(21)
Total tax charge for the year	**20,003**	1,293

Note:

During the year, the Hong Kong Inland Revenue Department ("IRD") issued certain estimated assessments for tax liabilities of approximately HK$19,918,000 to a subsidiary on the non-taxable claim of non-Hong Kong sourced income for the years of assessment of 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003 and 2003/2004 ("Estimated Assessments"). The concerned subsidiary has formally filed objections to the IRD against the Estimated Assessments and the concerned subsidiary is still in the process of answering queries from the IRD. The directors considered that full provision on the tax liabilities of the Estimated Assessments was required as the result of the objections regarding the Estimated Assessments is uncertain.

7. **Dividend**

The directors do not recommend the payment of any dividend in respect for the year ended 31 March 2006 (2005: Nil).

8. **(Loss)/earnings per share**

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit attributable to the Company's equity holders of HK$79,610,000 (2005: profit of HK$2,160,000) and on 320,000,000 (2005: 320,000,000) shares in issue during the year.

There were no potential shares in existence for the year ended 31 March 2006 and 2005, and, accordingly, no diluted loss per share has been presented.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we have considered the adequacy of the disclosure made in note 2 to the financial statements which explains that the circumstances giving rise to the fundamental uncertainties relating to the net loss and net current liability position of the Group and possible obligation arising from tax liabilities (the "Tax

Obligations") imposed by the Inlands Revenue Department of the Hong Kong Special Administrative Region (the "HKIRD"). These financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the Tax Obligations on the Group and upon the continuing financial support from the controlling shareholder of the Company. The financial statements do not include any adjustments that if the Group failed to obtain the necessary financial support from its controlling substantial shareholder. We have considered that appropriate disclosures have been made in the financial statements concerning this situation, but the evidence available to us was limited. In the absence of sufficient documentary evidence, we were unable to ascertain as to whether the assumption made by the directors of the Company in preparing the financial statements on a going concern basis, as set out in note 2 to the financial statements, are fair and reasonable. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the going concern basis, which may have a consequential significant effect on the results for the year and its liquidity position as at 31 March 2006. These fundamental uncertainties relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

QUALIFIED OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

Because of the significance of the possible effect of the limitation in the evidence available to us relating to the matter referred to above, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2006 and of its loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK$48,428,000 (2005: HK$101,974,000) representing a decrease of approximately 53% as compared to the previous year. It was mainly due to the deceleration of the growth of the Group's apparel sourcing service during the year.

The Group recorded a net loss of approximately HK$79,610,000 for the year ended 31 March 2006 while it was a profit of approximately HK$2,160,000 for the year ended 31 March 2005. The major reasons for the loss incurred during the year was mainly due to (i) the change in the Group's accounting policies which an aggregate impairment loss of approximately HK$54,888,000 recognised for the year ended 31 March 2006; (ii) a provision of tax liabilities of approximately HK$19,918,000 has been provided in respect of the potential tax liabilities imposed on a subsidiary of the Group for non-taxable claim of non-Hong Kong sourced income for the years of assessments of 1998/1999 to 2003/2004 and (iii) the provision of slow moving stock of approximately HK$6,689,000 during the current year. Without accounting for the above one-off non cash impairment, provision for tax liabilities of HK$20 million, provision for slow moving stock, the operating loss for the year was only approximately HK$5.6 million.

The operating loss for the current year is mainly due to the decrease in gross profit margin and increase in operating costs during the year. The Group's gross profit margin was approximately 20% for the current year while it was approximately 28% in last year. The decrease in gross profit margin was mainly due to the fierce competition in price which the Group required to mark down its price in order to maintain the market shares of the apparel sourcing services.

In respect of the geographical analysis, Russia, South Korea, Panama, USA, the PRC, Macau and Hong Kong accounted for approximately 1%, 9%, 3%, 8%, 6%, 46% and 27% respectively (2005: 31%, 29%, 9%, 12%, 9%, 4% and 6% respectively). Following on the disposal of a subsidiary during the year, the Group's geographical market will be concentrated on both Hong Kong and Macau in the foreseeable future.

Divisional Operating Performance

The Group's principal activities are engaged in (i) apparel source services, (i) apparel trading services and (iii) sales support services. Turnover derived from these three operations are accounted from approximately 9%, 91% and 0% respectively (2005: 80%, 20% and 0%) of the Group's total turnover respectively. The details on the review of each business operation are discussed below:

Apparel Sourcing

For the year ended 31 March 2006, the turnover of the Group's apparel sourcing operation was approximately HK$4,524,000, representing a decrease of approximately 94% as compared to last financial year. The Group also recorded a loss of approximately HK$3,252,000 (2005: profit of HK$8,823,000) in respect of the Group's apparel sourcing operation for the current year. The Group recorded a loss in results of this segment is mainly due to the increase in price competition in the market which leads to the decrease in profit margin for the current year. The Group's apparel sourcing division faced intensive competition during the year. The segment turnover and results of this operation were in downward trend. In view of significant resources required for the provision of apparel sourcing services such as extra sales team and sourcing team, the Group has scaled down this operation in by disposing a subsidiary of the Group which engaged in the apparel sourcing operation in the second half of the year in order to avoid further loss incurred from this operation.

Sales Support Services

For the year ended 31 March 2006, no turnover derived from the provision of sales support services (2005: Nil). With the fact that the quota system for textile products export to the US ceased in last year and lost its unique features for provision of the sales support services. Therefore, the sales support services operation remain in active during the year.

Apparel Trading

Apparel trading operation of the Group comprise of wholesales and retails of garment products in both Hong Kong and Macau. For the year ended 31 March 2006, turnover derived from the provision of apparel trading operation was approximately HK$43,904,000, representing an increase of approximately 120% as compared to the previous year. However, the Group recorded a loss from this segment of approximately HK$14,236,000, while it was a profit of approximately HK$7,734,000 in last year. The significant decrease in the results of apparel trading operation is mainly due to increase in operating costs during the year and the impairment loss recognised for slow moving stocks and trade receivables of approximately HK$6.7 million and HK$4.6 million respectively.

PROSPECT

Following on the continuing rebound of the Hong Kong economy which strengthens consumer sentiment and relaxation of travel policy of the PRC citizens to Hong Kong, the directors of the Company anticipate that retails business will be booming with outstanding growth. On the other hand, Macau become a main focus in recent year, its existing attraction in gambles is expected to boost more tourist business in Macau. In order to reap these development opportunities, the Group intended to allocate more resources in its apparel trading operation in the future. In addition, the Group will continue to explore and identify investment opportunities so as to enhance shareholders' value by organic growth.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 March 2006 (2005: Nil).

CAPITAL STRUCTURE

It is the intention of the Group to maintain a strong and stable financial position to ensure an efficient capital structure over time. As at 31 March 2006, the Group had total assets of approximately HK$41,424,000 (2005: HK$99,573,000), comprising non-current assets of approximately HK$20,555,000 (2005: HK$64,184,000) and current assets of approximately HK$20,869,000 (2005: HK$35,389,000).

As at 31 March 2006, total debts of the Group amounted to approximately HK$38,173,000, representing an increase of 164% as compared to last financial year of approximately HK$14,450,000. The significant increase is mainly due to a provision of tax liabilities of approximately HK$20,450,000 recognised during the year. Except for this, total debts remained fairly stable as compared to last financial year. The total debts as at 31 March 2006 mainly comprise of interests bearing bank borrowing related to a mortgage loan of approximately HK$5,950,000 (2005: HK$6,200,000) in respect of a leasehold land and building.

As at 31 March 2006, the shareholders' equity was approximately HK$3,251,000 (2005: HK$82,861,000), representing a decrease of approximately 94%. The current ratio deteriorated from last year's 4.24 to 0.65 and the quick ratio also declined from last year's 2.9 to 0.37 this year. The decrease in quick ratio is mainly due to the provision of tax liabilities, except for this, the Group remained low level of debts, the directors of the considered that the Group has sufficient cash flow to settle all the debts when they fall due.

The debt to equity ratio was 11.7 while it was 0.17 in last year. The ratio was calculated by dividing the total liabilities of HK$38,173,000 (2005: HK$14,450,000) by the total shareholders' equity of HK$3,251,000 (2005: HK$82,861,000).

The gearing ratio expressed as a percentage of total bank borrowings to total shareholders' equity was 183% for the year ended 31 March 2006 while it was 7.5% in last year.

LIQUIDITY AND FINANCIAL RESOURCES

It is the intention to manage its cash and bank balances and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. Cash and bank balances of the Group as at 31 March 2006 were approximately HK$2,488,000 (2005: HK$4,246,000), representing a decrease of 41% compared to previous year. Except for the long term mortgage loan of HK$5,950,000 (2005: HK$6,200,000) and the provision of tax liabilities of approximately HK$20,450,000, the management considered that the Group maintained a healthy liquidity position.

BORROWINGS AND BANKING FACILITIES

The Group generally financed its operations with internally generated cash flows, except for one mortgage loan amounted to HK$5,950,000 (2005: HK$6,200,000) for the purpose of facilitating a leasehold land and building. The mortgage loan is not at fixed interest rates. Except for this, no banking facility has been obtained by the Group.

The Group serviced its debts primarily through cash generated by operations. The Group does not have any bank overdraft for the year under review.

CONTINGENT LIABILITIES

Apart from the Tax Obligation imposed by the HKIRD against to, the Group of approximately HK$19,918,000 as set out in note 6 of this announcement, the Group does not have any material contingent labilities as at 31 March 2006.

SUBSEQUENT EVENTS

On 2 June 2006, the Group entered into a sales and purchases agreement with an independent third party for the disposal of the entire interests in Fair Good Limited, Elite Team Inc. and Easy Billion International Enterprises Limited for a cash consideration of approximately HK$120,000.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2006, substantially all of the monetary assets of the Group was comprised of cash and bank balances, which denominated in Hong Kong dollars and Renminbi, hence exchange risk of the Group is minimal. In addition, the Group did not have any foreign currency investments which has been hedged by currency borrowings and other hedging instruments.

PLEDGE AND CHARGE OF GROUP ASSETS

As at 31 March 2006, the Group's leasehold land and buildings with carrying amounts HK$5,757,000 and HK$6,437,000 respectively were pledged to secure a mortgage loan. (2005: HK$9,289,000).

HUMAN RESOURCES

As at 31 March 2006, the Group employed 28 employees. The Group's emolument policies are formulated on the performance of individual employee and will be reviewed regularly every year. The Group also participates in a defined contribution retirement benefits scheme for its qualified employees. Since 22 October 2002, the Group established a share option scheme for its employees and other eligible participants with a view to provide an incentive to or as a reward for their contribution to the Group. As at the date of this report, no option has been granted.

PURCHASE, REDEMPTION OR SALE OR LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company and its subsidiaries (the "Group") recognise the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all of its shareholders. The Group is fully committed to doing so. During the year ended 31 March 2006, the Company has adopted and applied the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") save as disclosed below. It is with the objectives in mind that the Group has applied such principles and will comply with the individual code provisions.

(a) Code provision A1.3 stipulates that 14-days notice should be given for each board meeting. The Company agrees that sufficient time should be given to the directors of the Company (the "Directors") in order to make a proper decision. In these respects, the Company adopts a more feasible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

(b) Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from the above code provision as the non-executive Directors ("INEDs") are not appointed for specific terms. According to the bye-laws of the Company, however, the INEDs are subject tit eh retirement and re-election. The reason for the deviation is that the Company believes that Directors ought to be committed to representing the long term interest of the Company's shareholders.

(c) Code provision A4.2 stipulates that every director should subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or managing Director shall be subject to retirement by rotation. The Company's bye-laws deviate from the code provision. The Company considered that the continuity of the Chairman/Deputy Chairman/managing Director and their leadership is essential for the stability of the business and key management. The rotation methodology ensures a reasonable proportion of Directors in continuing which is to the best interest of the Company's shareholder.

(d) Code provisions B1.1-5 stipulate the establishment of a remuneration committee, its operations and its term of reference. In addition, Code provision C3.3 stipulates the terms of reference of the audit committee. The previous terms of reference of our audit committee do not fully cover those set out in Code provision C3.3. The Company has adopted terms of reference as set out in Code provision C3.3 and set up a remuneration committee according to the Code provisions B1.1-5 on 16 December 2005.

MODE CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code as its written guidelines on the "Model Code for the Securities Transactions by Directors and Employees". Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors and employees adopted by the Company.

AUDIT COMMITTEE

The Company has an Audit Committee which was established on 22 October 2002 in accordance with the requirements of the Code of Best Practices set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors of the Company namely Ms. Lo Wing Yan, Emmy, Mr. Liang Kwong Lim and Mr. Chang Kin Man.

During the year, the Audit Committee met with the Group's executive directors, senior management and the external auditors to consider and review the Group's financial statements, the nature and scope of audit reviews, and the effectiveness of the system of internal control and compliance. The Audit Committee held two meetings during the year. The Audit Committee had reviewed the unaudited interim accounts and the audited annual financial statements for the year ended 31 March 2006 and communicated with external auditors before recommending them to the Board of Directors for approval.

PUBLICATION OF FURTHER INFORMATION OF THE STOCK EXCHANGE'S WEBSITE

The Company's 2006 annual report containing the relevant information required by the Listing Rules will be despatched to the shareholders of the Company and published on the website of Stock Exchange in due course.

By Order of the Board
Bessie Siu
Executive Director

List of Directors as at the day of this announcement

Executive Directors
Ms. Tsai Lai Wa, Jenny
Ms. Mao Yue
Ms. Bessie Siu
Mr. Lee Yiu Tung

Alternative Director
Mr. Peter Christopher Tashjian (Alternate to Ms. Tsai Lai Wa, Jenny)

Non-executive Director
Mr. Fu Wing Kwok, Ewing

Independent Non-executive Directors and Audit and Remuneration
Ms. Lo Wing Yan, Emmy
Mr. Liang Kwong Lim
Mr. Chang Kin Man

Hong Kong, 26 July, 2006

* *For identification purposes only*