

PROSPECTS

With years of development, the Group has already established a solid reputation as premier designer and manufacturer of quality leather accessories in the global marketplace. It will strive to consolidate its leading position in leather accessories manufacturing. In view of steady growth of sales orders and a shorter production lead time requested by the customers, the Group is in the progress of improving the production efficiency by expanding the production area in order to resolve the production jam in the bottle-neck procedure. The factory expansion project is expected to be completed in late December this year and the management believes the Group can attain better economies of scale through enhancement of production volume.

The global economy is affected by some unfavorable factors like accelerating crude oil price, higher interest rate and the outbreak of avian flu, however, it is believed that the general economic condition would be improving gradually. Barring unforeseeable circumstances, management is cautiously optimistic towards the Group's performance in the second half of fiscal year 2005/06.

Leveraging on the good and long-term relationship with our customers and major suppliers and coupled with stringent cost control, the management believes the dedication of all our efforts will bring fruitful return to our shareholders.

Liquidity, Financial Resources and Capital Structure

As at 30th September, 2005, the Group's cash and bank deposits were approximately HK\$91 million, compared to approximately HK\$90 million as at 31st March, 2005.

As at 30th September, 2005, the Group had aggregate banking facilities in respect of import/export facilities of approximately HK\$8 million were secured by corporate guarantees provided by the Company.

The Group recorded total current assets of approximately HK\$162 million as at 30th September, 2005 (31st March, 2005: HK\$145 million) and total current liabilities of approximately HK\$21 million (31st March, 2005: HK\$20 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 8 times as at 30th September, 2005 (31st March, 2005: 7 times).

Supported by its strong cash flows, the Group did not raise any bank loan during the period.

The Group recorded an increase in shareholders' funds from approximately HK\$134 million as at 31st March, 2005 to approximately HK\$150 million as at 30th September, 2005.

TREASURY POLICY

The Group generally finances its operation with internally generated resources.

Cash and bank deposits of the Group are mainly denominated in Hong Kong dollars.

Transactions of the Group are mainly denominated either in Hong Kong dollars, Renminbi or United States dollars such that the Group does not have significance exposure to foreign exchange fluctuation. Though the Group does not engage in any hedging contracts, the Group's exposure to foreign exchange risk is minimal.

CHARGES ON ASSETS

The Group did not have any assets pledged for general facilities granted by banks.

MATERIAL ACQUISITIONS/DISPOSALS

The Group had no material acquisitions/disposals for the six months ended 30th September, 2005.

EMPLOYEE INFORMATION

As at 30th September, 2005, the Group had 54 full-time employees in Hong Kong and 78 in the PRC. The Group remunerated its employees mainly based on their individual performance. Apart from basic salaries, discretionary bonus, contribution to the statutory retirement scheme, the Group adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares of the Company.