

*To our Shareholders,*

### **BUSINESS REVIEW**

During the year under review, we have experienced a challenging year. The Group reported a decrease in turnover and a net loss. It was attributable to the net operational loss stemming from the already disposed manufacturing arm in the footwear business division, not having realized the optimal economies of scale in IT section and provide significant impairment in the IT business division.

Regarding the footwear section, the Group resolved to dispose the manufacturing factory due to the adverse market sentiment in footwear business during the year in order to obtain a cost-effective operational structure under the footwear section.

Regarding the IT section, the Group had acquired three IT companies (i.e. Excel Star Technology Limited, Popular Asset Limited and Golden Portal Holdings Limited) during the year. These companies are expected to enhance our IT business platform towards the imminent IT businesses opportunities in Hong Kong and The People's Republic of China (the "PRC") market.

### **PROSPECTS**

Looking ahead towards the coming year, the Group is still confronting envisaged challenges with respect to the development of the IT business platform and the adverse footwear market sentiment.

### **Footwear Business**

As a result of the booming economy in India and the PRC augmented by the political unstable atmosphere in some cruel oil exporting countries, not only it escalates the oil demand and the volatility in its price in turn to those related products but also jeopardize the profit margin of the footwear business. In addition, the overheating economy of the PRC persuades a continuously soaring of the labor cost especially in southern China. Coupled with these two factors, they have inevitably incurred uncertain operational risks in running the footwear manufacturing and therefore the industry is anticipated to be still undergoing a tough period in short to medium term.

Under this circumstance, the Group will pursue a more prudent strategy in aim of achieving a cost effective operational structure of this division and require a reasonable rate of return in its future development. As a result, the Group had disposed the manufacturing arm during this financial year in order to trim direct labor cost while exercised a tighten policy in acquiring future footwear trading transaction which is able to contribute a restricted acceptable rate of return. The Group will closely scrutinize the operating environment from time to time while implementing prompt and suitable strategy in this business line to cope with the market sentiment.

## CHAIRMAN'S STATEMENT

### IT Business

Although the Group has been diversifying into information technology business for two years, the IT division is still undergoing its development stage because of its nature. Under this scenario, the management has been vigorously identifying potential acquisitions for the Company that will have synergy and strengthen our IT portfolio. If any of the investment is materialized, the Company will make appropriate disclosure and/or obtain shareholders' approval in accordance to the provisions of the Listing Rules. However, the management will review the existing IT portfolio periodically in assessing whether the resources-effective allocation is accomplished.

The management anticipates encountering challenges in the coming year as the Group will continue to implement an inorganic growth strategy in actively exploring any business opportunity with good prospect to enhance its IT portfolio given the potential of the information technology market in the PRC and Hong Kong. Ultimately, the Group would like to establish a concrete IT business so that it will generate broaden and stable revenue.

The Group will be very cautious in allocating its resources and will keep on exploring other suitable business opportunities and diversifying its investment to other potential industries with favorable investment return and prospect.

### APPRECIATION

On behalf of the Board, I would like to express my gratitude to our staff members for their loyalty, hard work and dedicated services.

On behalf of the Board

**Lee Man Fa**

*Chairman*

Hong Kong, 22 February 2006