



CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Peking Apparel International Group Limited (“Peking” together with its subsidiaries, collectively as the “Group”) for the year ended 31 March 2006.

Results

Revenue for the year ended 31 March 2006 amounted to approximately HK\$139,682,000 representing an increase of about 21 per cent as compared to that of last year. Profit for the year attributable to ordinary equity holders of the parent amounted to approximately HK\$18,083,000, as compared to HK\$12,307,000 reported last year.

Business Review

During the year, with intensified market competition and continued prudent consumption sentiment, the overall business environment remained difficult. Via the Group's stringent cost control measures, improved quality and productivity, as well as continuous support from our customers and suppliers, the Group managed to improve its overall results. The Group's major product and markets continued to record growth in revenue during the year under review. The overall sales of fur product and fabric garments achieved remarkable results.

Prospect

Looking ahead, the Group expects that intensified market competition and high cost of raw material will continue. The Group will continuously implement appropriate measures to improve its competitiveness as well as controlling its overall cost. The world market demand on fur skin is still high. In view of this, the Group is setting up a mink farm in the PRC to raise live mink. Barring unforeseen circumstances, the mink farm will generate positive return in the future.

Dividends

Subject to the approval of the shareholders at the 2006 Annual General Meeting to be held on 17 August 2006, the Directors recommend the payment of a final dividend of HK1.5 cents (2005: HK1.0 cent) per ordinary share for the year which together with the interim dividend of HK5.0 cents (2005: HK0.6 cent) per ordinary share makes out total dividend of HK6.5 cents (2005: HK1.6 cents) per share.

Acknowledgement

On behalf of the Board, I would like to express my appreciation to all the staff of the Group for their contribution and dedication throughout the year. Sincere thanks are also extended to our shareholders, investors, business partners, customers and suppliers for their continuous support and encouragement.

Char On Man
Chairman

Hong Kong
17 July 2006