

Chairman's Statement

Dear Shareholders,

It is my pleasure to present to the shareholders the annual results of the Company and its subsidiaries (collectively refer to the "Group") for the year ended 31st March, 2006. With our dedicated efforts, the Group achieved another year of growth in its operating results for fiscal year 2006 with improvement in both turnover and operating profits.

BUSINESS REVIEW

In fiscal 2006, we made solid progress against our strategic priority to drive shareholders' value and to position ourselves for sustainable long-term growth. After more than two decades of successful business development, the Group has already established a solid reputation as premier designer and manufacturer of quality leather accessories in the global market place. Further improvement of the macro-economic environment drove the growth of the Group's sales to overseas market. Our OEM/ODM sales grew by 16% to approximately HK\$236,814,000 in fiscal 2006. In the second half of the financial year, we encountered production jam in the bottle-neck procedure in our processing plant in Dongguan which resulted in reduction of production output. We had to expand our processing plant in order to improve the production efficiency and operating effectiveness. After the factory expansion works completed in January 2006, we achieved greater production capacity and better production efficiency.

Founded in November 2004, AREA0264 stores offer broad selections of trendy and young street fashion apparel, shoes and accessories for dynamic trend-conscious young shoppers. At the end of March 2006, the Group operated three AREA0264 stores in Hong Kong. The management was satisfied with the overall performance in the retail sector especially in the second half of the financial year. Despite the Group incurred an operating loss in retail sector, the management considered it was on the right track of development. The Group currently carries four in-house brands, "Stranger", "Natalie Creations", "eDOLL_KUBRICK and "3-Liter" with unique image and different price level in AREA0264 stores. With years of development, the Group has successfully established AREA0264 as a well-known young fashion label in the market.

PROSPECTS

Looking forward, we stay strategically focused on developing the core OEM/ODM business. In anticipation of steady growth of orders from our new customers, we will continue to enhance production efficiency and operating effectiveness by strengthening internal controls and improving production process. We believe that our consistent quality standard and strong product development capability could maintain the Group's business growth in future.

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We believe strong brand will deliver high-margin growth to the top-line. To capture the higher profit margin, the Group will endeavor to increase the proportion of in-house brand sales through increasing marketing effort on building brand awareness. On the other hand, the Group will strive to introduce exclusive license of popular brand with unique image in order to boost our stores image. Facing with the challenge of high rental, we will focus on enhancing product development capability and improving the operation efficiency of existing stores.

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 fiscal 2007.

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.

APPRECIATION

The Board would like to express its sincere gratitude to our business partners, customers and shareholders for their enduring support. Also, I would like to thank all the staff for their dedicated in contributing to the fruitful results of the Group.

Chan King Hong Edwin

Chairman

Hong Kong, 20th July, 2006