



Chairman's Statement

Business and Operation Review

Business Review

During the year, the Group continued to apply different strategies to improve the overall performance. However, facing the inflationary pressure in imported material, local rental and human resources costs and the weakened economic recovery, the result of the struggle contributed by the management was impaired accordingly.

The Group continued to focus on the fashion apparel retail market in Hong Kong. The turnover of the Group for the year was approximately HK\$132.8 million (2005: HK\$126.4 million), representing an approximately 5% increase than last year. This achievement is contributed by our wider distribution channel and effective marketing strategies. However, the keen price competition in fashion market and the weakened consumption sentiment limited the degree of improvement of the turnover for the year.

The gross profit margin of the Group for the year ended March 31, 2006 was maintained at a relatively high level at approximately 67% (2005: 70%), representing a 3% decrease when compared with last year. The management of the Group had imposed different efforts in production cost control to maintain the gross profit margin. However, the imported inflation of fabrics and fashion accessories from European countries and the keen price competition has lowered down the gross profit ratio of the Group. Certain production cost minimizing plans will be applied in next financial period in order to maintain the high gross profit margin level of the Group in the long run.

During the year, the Group tried to develop the distributional channel and the total number of retail outlet as at March 31, 2006 is 15 (2005: 13) with total controlled retail area of 24,911 sq. feet (2005: 24,901 sq. feet). In order to achieve the strategic goal of retail outlet area optimization, the Group continued the progress of relocation of the existing retail outlets and opened certain new shops in different area. As a result, the total number of retail outlets increased with a similar level of total controlled retail area in this year and the ratio of turnover per square foot is improved accordingly. This retail area optimization strategy effectively controlled the overall rental expenditure of the Group in the existing rental inflationary trend in retail market. On the other hand, certain retail outlets were renovated so as to enhance the brand image and to provide a more comfortable shopping environment to our customers.

The net profit for the year ended March 31, 2006 is approximately HK\$2.1 million (2005: HK\$13.9 million), decreased by approximately 85% from last year. The considerable decrease in net profit during the year is mainly due to the worsened operating environment in retail market and an one-off property disposal profit of approximately HK\$4.9 million was recorded in last year. The ratio of distribution costs to turnover and administrative expenses to turnover for the year are maintained at the level of approximately 35% (2005: 34%) and 31% (2005: 29%) respectively. Despite the tight fiscal discipline on operating expenses, the ratio of distribution and administrative expenses increased slightly due to the burden of inflating human resources and retail rental cost.

Prospect

The Group will focus on the retail fashion market in Hong Kong. Facing the uncertain momentum of local economic growth and the inflationary pressure of the operating environment, the Group will continue to deploy prudent cost control and distributional strategies on our future retail outlets development. Looking ahead, we believe that the firm commitment of the management to build brand loyalty, effective operational and financial strategies, along with our sophisticated yet contemporary apparel products and effective distribution channel, will support the Group's healthy growth and enable us to gain access to additional business opportunities that may be presented to the Group in the future.

Appreciation

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continued support. May I also thank my fellow directors and our staff for their dedication and contribution.

Cheung Yin Sheung Subraina
Chairman

Hong Kong

July 14, 2006

