CHAIRMAN'S STATEMENT

Group Results

During the year ended 31st March, 2006 (the "Financial Year"), the Group recorded a turnover of approximately HK$135.3 million, representing an increase of 22% as compared to approximately HK$110.6 million recorded in last year. Gross profit margin achieved 32%, compared to 28% in last year. The loss attributable to equity holders of the Company amounted to HK$20.5 million compared to the profit attributable to equity holders of the Company of HK$11.4 million (restated) last year.

Business Overview

Export Business

For the Financial Year, the management of the Company ("Management") continued the established strategy to focus on high-valued customers with better profit margins. Although the export sales decreased by 28% to HK$73.6 million (2005: HK$100.8 million), the Export Business segment of the Group was able to maintain the gross profit margin of 26% (2005:25%). This proves to be an effective and profitable strategy whereby the Group can concentrate on those high-valued customers who are willing to pay for quality products and services. However, intense competition among suppliers of similar products remains the major threat, which may result in severe price reductions.

Moving forward, the Group is prepared to continue its expansion in this area and try to achieve reasonable gross profit margin in the coming years. Export sales still represented a major source of the revenue of the Group. For the Financial Year, the revenue derived from export sales amounted to 54% of the total turnover of Group (2005: 91%). It is the Group's vision to maintain a more balanced revenue mix between the Export Business and the Licensee Business.

CHAIRMAN'S STATEMENT

Licensee Business

The Licensee Business for sportswears of the Group in the PRC is considered to be the most promising new business strategy for the Group in the future.

Since 2002, the Group has obtained the exclusive license for the manufacturing, marketing and distribution of HEAD® apparels in the PRC, Hong Kong and Macau. Starting from July 2005, the Group also becomes the exclusive distributor for HEAD® hardware including HEAD® tennis racquets, HEAD® skis, and other accessories in the Greater China market. This strategic move has enabled the Group to become the exclusive licensee and distributor for all HEAD® products in the Greater China Region (including the PRC, Hong Kong and Macau) which makes the sales and marketing operations much efficient and effective. As at 31st March, 2006, the Group has established more than 150 outlets and retail shops operated by the Group's business partners in the Greater China Region for HEAD®'s products. Sales increased significantly from HK$9.8 million for the year ended 31st March, 2005 to HK$29.4 million for the Financial Year, representing a significant increase of 200%.

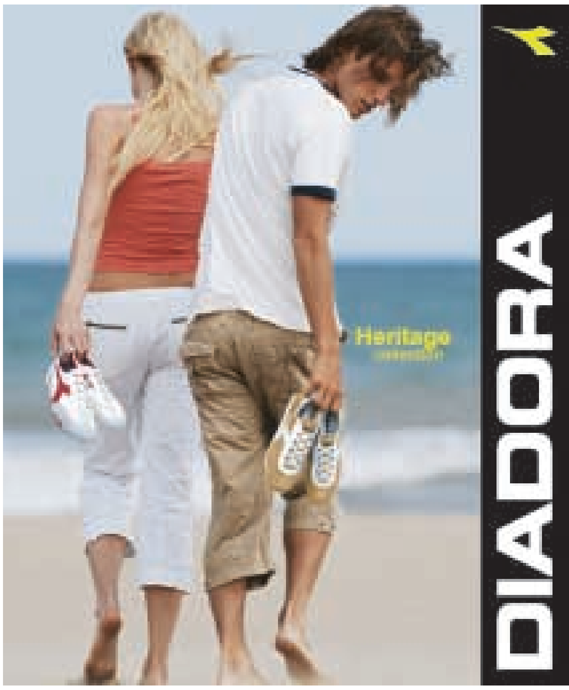
For DIADORA, the second licensed brand of the Group, the year 2005 proves to be a very important first year whereby the Group has established over 240 retail brand box shops operated by the Group's business partners in the PRC and Hong Kong. In line with our established business strategy, the Group focused on product development and brand building while our business partners continued to expand the network of retail shop outlets. Various sales meetings were held in Shanghai and the Group received encouraging feedbacks from the business partners. For the Financial Year, we recorded a turnover of HK$32.3 million for the wholesales of the products under the brand name of DIADORA.

During the Financial Year, the Group has invested intensively in product development, advertising and promotion, retail shops design and fixtures installation, and market channel establishment for HEAD® and DIADORA. Such expenditures were within the estimates of the Management and we believe that it will be reduced significantly in the coming year.

CHAIRMAN'S STATEMENT

Financial Review

During the Financial Year, the Group has recorded a turnover of approximately HK$135.3 million as compared to HK$110.6 million last year, representing an increase of approximately 22%. The turnover for the Export Business was approximately HK$73.6 million (2005: HK$100.8 million) while the turnover for the Licensee Business was approximately HK$61.7 million (2005: HK$9.8 million). The decrease in the turnover of the Export Business was the result of our strategy to concentrate on a small number of high-valued customers who are willing to pay for quality products and services. On the other hand, the significant increase in the turnover of Licensee Business was mainly brought about by the expansion of wholesales operations of HEAD® and DIADORA in the PRC.



In terms of gross profit margin, the Export Business recorded a gross profit margin of approximately 26% (2005: 25%) while the gross profit margin of the Licensee Business was 39% (2005: 59%). The gross profit margin for the Export Business was more or less the same as that of last year as the Group continues to focus on high-valued customers. As to the Licensee Business, the last year sales represented the retails sales while the Financial Year's sales were mainly sales from wholesale customers. Hence, the Group's focus on wholesales customers rather than retails shops had led to the drop in the overall gross profit margin of the Licensee Business.

Due to the continued expansion of licensee and distributorship business of HEAD® and new establishment of licensee business of DIADORA, administrative expenses increased by 31% to HK$52.5 million (2005 restated: HK$40.0 million), while selling, distribution and marketing costs increased by 54% to HK$18.1 million (2005 restated: HK$11.7 million).

CHAIRMAN'S STATEMENT

Prospects

Export Business

Although the gross profit margin was maintained at a fairly healthy level of 26% for the Export Business, the Management is fully aware of the need to sustain a higher revenue level in order to achieve a better result With the increasing demands from certain long-term customers, the Group is diversifying its product range (e.g. products other than outerwear) which can significantly increase revenue but still contribute a reasonable gross profit margin to the Group. In addition, the Group is endeavouring to undertake orders for more than one season for the coming year. The Group believes that the additional customer base will help the Group to achieve economies of scale by fully utilizing the existing resources.

DIADORA NOW AGAIN Press Conference in Shanghai

It is the Group's long-term vision to streamline its business and transfer most of the operations to the PRC for better cost control and for improving efficiency and effectiveness.

Licensee Business

With the rising consumer purchasing power and continued demand for sports goods in the PRC, Hong Kong and Macau, the Management is of the view that the Licensee Business will grow in a much faster scale compared to other business segment of the Group.

As a long-term strategy, more focus will be placed on the development of market presence in second and third tier cities in the PRC (e.g. Hubei, Hangzhou, etc) for both HEAD® and DIADORA. We expect the number of retail outlets for HEAD® and DIADORA will increase to 200 and 330 respectively by the end of next financial year. Although the rate of increase for retail shops will not be very high, the Management expects that there will be significant increase in the turnover in each retail shops for the coming year. Besides, after taking into account the actual sales and delivery after the year ended 31st March, 2006 and the present sales order on hand, the Management is confident that the turnover of the Licensee Business in the PRC will increase in the coming year as compared to the Financial Year.

CHAIRMAN'S STATEMENT

Liquidity and Financial Resources

The Group generally finances its operations by its own working capital, trade facilities and revolving bank loans provided by its principal bankers in Hong Kong. Total net cash flow used in operation amounted to approximately HK$55.8 million for the Financial Year (2005 restated: HK$18.6 million).

The Group's net borrowings comprise bank loans, obligations under finance leases and director's loan amounted to approximately HK$57.3 million as at 31st March, 2006 (2005: HK$37.2 million). Among the total outstanding amounts of bank loans, obligations under finance leases and director's loan as at 31st March, 2006, 82% (2005: 73%) are repayable within the next year, 1% (2005: 6%) are repayable within the second year and the remaining balance repayable in the third to fifth year. The Group's bank loans are subject to floating interest rates while obligations under finance leases are subject to fixed interest rates.

The 18th China International Sporting Goods Show

The ratio of current assets to current liabilities of the Group was 1.03 as at 31st March, 2006 compared to as 0.6 (restated) as at 31st March, 2005. The Group's gearing ratio as at 31st March, 2006 was 0.6 (2005 restated: 0.5) which is calculated based on the Group's total liabilities of HK$103.3 million (2005 restated: HK$72.2 million) and the Group's total assets of HK$157.8 million (2005 restated: HK$136.8 million). As at 31st March, 2006, the Group's total cash and bank balances including the pledged time deposit amounted to HK$18.2 million compared to HK$10.3 million as at 31st March, 2005. The cash and bank balances together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group. The Company has done a rights issue (one new share for every five existing shares) in May 2005 resulting in the issue of 77,900,000 shares of HK$0.1 each for a total consideration HK$7,790,000 and a placing of new shares (50 million new shares at the placing price of HK$0.10 per new share for a total consideration of HK$5,000,000 to not less than six placees) and have raised net proceeds of about HK$7.2 million and HK$4.7 million respectively. Such proceeds had been used for general working capital of the Group and for the business expansion under the licensing agreements with HEAD® and DIADORA.

CHAIRMAN'S STATEMENT

As the Group's earnings and borrowings are primarily denominated in United States dollars, Hong Kong dollars and Renminbi, it has no significant exposure to foreign exchange rate fluctuations.

Charge of Assets

As at 31st March, 2006, the investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of HK$46.1 million (2005: HK$75.6 million) together with the time deposit of HK$10.7 million (2005: Nil) were pledged as first legal charge for the Group's banking facilities.

Employees

As of 31st March, 2006, the Group had a total of 219 employees (2005: 200 employees). The increase in the number of employees was due to the expansion of HEAD®'s distributorship and licensee business, and DIADORA's licensee business. Total staff costs including directors' remuneration were approximately HK$31.7 million and HK$22.2 million for the Financial Year and the year ended 31st March, 2005 respectively.

The Group remunerates its employees primarily based on industry practices, including contributory provident funds, insurance and medical benefits. The Group has also adopted a discretionary bonus scheme for the management and the staff with awards which are determined annually based upon the performance of the Group and individual employees. Moreover, the Group will propose at the forthcoming annual general meeting of the Company to adopt a new share option scheme for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

Appreciation

On behalf of the Board, I would like to thank our business partners and shareholders for their continued support and to express my appreciation to all managers and staff for their dedication.

Wong Tek Sun, Takson
Chairman

Hong Kong, 27th July, 2006