

# CEO STATEMENT

Though 2005 marked an extremely tough year for our development in terms of macro-economic environment, yet we overcame each and every challenge with devoted commitments of all our staff. Proven records were attained by constantly taking great steps in our debt reorganization, cost reduction and core business improvement.

## PRODUCTION

### Reduction of production costs through streamlining operating procedures

With a shift of our core production base from Shenzhen to Dongguan followed by a complete formal commission of the new factory in Dongguan, we will be well poised to substantially lower our production costs by capitalizing on our proximity to the nearby existing factories. Overall enhanced production capacity will be conducive to a vertical and horizontal integration of our production procedures, together with significant contractions of subcontracting costs.

To foster production synergies, the Group endeavoured to streamline our operating procedures. More production processes will be relocated from Shenzhen factory (which incurs higher cost) to the Dongguan factory, and automated operating systems were also adopted in our newly built factory in Dongguan. With hi-tech production facilities, a more competitive operating environment and cost structure will be created.

## SALES PERFORMANCE

### Business diversification through customer profile restructuring

To broaden our customer bases and business lines, the Group progressively explored into new business and customer horizons, including a recent expansion into book publishing business. At the same time, through a diversified business strategy, we were in pursuit of maximization of profits and mitigation of peak and off-peak seasonality by making use of the existing production resources.

In the past, our operations were subject to substantial seasonality impacts due to an over-reliance of our sales business on large customers. Specifically, huge production costs were borne during peak seasons. In this regard, the Group decided to restructure our customer profile by redirecting our resources to higher margin products. Despite that a possible short-term turnover decrease may be resulted, yet an overall profit growth will be expected in the long run.

The Group will make continuous efforts in expanding into a larger pool of business opportunities by delivering higher quality products and cooperating with new and existing customers.

## RESOURCE EXPLORATIONS

### Development of new resources through localized recruitments

A close in-sight will be made by the Group into the global trends of resource explorations. Material sourcing will be strengthened in developing countries in order to assure us of equivalent qualities at more effective cost controls. In the coming year, the Group will position itself at a more advantageous edge by focusing on resource developments in China.

The Group will seek a localized recruitment policy. Local competent management talents will be added in response to varying geographical requirements in order to increase efficiency.

## COST CONTROLS

Given an outdated and inefficient nature of our existing cost control plans, those plans will be revised to keep abreast of the prevailing market changes. Through an increased efficiency and transparency, cost effectiveness will be totally enhanced.

## ONLINE BUSINESS

The Group is in the process of seriously reviewing business opportunities derived from online services, including application of online tender and quotation and the resulting simplified procedure. The Group may consider invest further in online business.

## FUTURE PROSPECTS

With the successful commission of production process by the Dongguan factory, the Group will make further adjustments to its structure to fully realise the benefit of lower cost and better efficiency of its two new Dongguan factories, with a view to further reduce overall production cost and enhance competitiveness. Looking ahead, we will dedicate concerted efforts in opening up new markets other than the United States and Europe by actively establishing a foothold in developing countries embedded with tremendous potentials in order to capture a flurry of business opportunities. We strongly believe that wholehearted devotions and commitments throughout the whole group is the only crucial key to sustain our fruitful results and promising goals.

**Chan Hoi Lam**

*Chief Executive Officer*

Hong Kong, 24th July, 2006