

OUTLOOK

The general retail market in the United States has not shown any strong signs of a rebound and the economy continues to be clouded with disappointing company performances and accounting jitters. The Group is not optimistic that the economic situation will turnaround before the end of the year. However, profit margin is expected to stabilize in the second half of the year. Amid the uncertain economic outlook, the Group will optimize capital and resources allocation by concentrating on higher-margin activities.

Orders in hand as confirmed by customers amounted to 90% of annual targets. The Group will continue to broaden its customer base and explore new and emerging business potentials to strengthen the profitability of the Group.

The Group has been constantly enlarging its sourcing capabilities. Subsequent to the period under review, the Group set up a representative office in Vietnam to commence subcontracting businesses in the region.

With the maturing of the production bases in Indonesia, to maintain the Group's competitiveness, a special task force consisting of experienced factory managers from Indonesia will continue to focus on enhancing the productivity and controlling the costs of factories in El Salvador and Lesotho. The Board is confident that the contribution of these factories to the Group's turnover will gradually increase.

Believing that economic development occurs in cycles which presents a continuing round of opportunities and challenges, with the solid foundations in the garment manufacturing industry, the Group is fully confident that it is well positioned to capture suitable business opportunities and overcome any challenges ahead.