



The year 2005 was an important year in the history of Tristate Holdings Limited (the “Company” or “Tristate”) and its subsidiaries (collectively the “Group”). During the year 2005, the Company, through one of its subsidiaries, acquired additional shares in Hua Thai Manufacturing Public Company Limited (“Hua Thai”) which became a 96.96% subsidiary of the Company on 15 December 2005.

Also in 2005, the Group’s branded product distribution segment secured the Mainland China distribution rights of the Italian sportswear brand, Fila. While the branded product distribution segment is still relatively small as compared with our garment manufacturing segment, we hope to sign on more brands in the near future.

RESULTS

For the year ended 31 December 2005, the sales turnover of the Group grew from approximately HK\$2,530 million in 2004 to approximately HK\$2,684 million in 2005. Profit from operations increased from approximately HK\$53 million in 2004 to approximately HK\$130 million in 2005. The Group realised a net gain of approximately HK\$54 million from the acquisitions of additional interest in Hua Thai. Profit attributable to equity holders reached approximately HK\$160 million when compared to the profit of approximately HK\$52 million for the last corresponding year, representing an increase of over 200%.

To share the positive results with our shareholders, the Board recommends the payment of a final dividend of HK\$0.15 per share in addition to the 2005 interim dividend of HK\$0.09 per share.

KEY AREAS OF FOCUS

The improved performance of the Group is mainly attributable to our focus on the following key areas in our garment manufacturing division: —

Broad Product Range

The products of the Group encompass a wide range of fashion garments, including categories known generally as ladies career dressing, suiting, sportswear, related separates, men’s and ladies’ casual and lifestyle clothes, as well as, men’s and ladies’ outerwear. We carry the entire range of Bridge, Better, Casual and Moderate lines. We have extensive pattern and sample making capabilities, as well as, the ability to innovate to meet our customers’ needs through strong manufacturing engineering. We compete in the upper range of fashion brands and specialise products requiring high levels of quality and complexity.

Broad Geographic Reach and Scale

With ten factories in four countries, we offer unparalleled geographic diversification and a competitive cost base to our customers.

Factories in Mainland China, supported by Outward Processing Arrangement (OPA) facilities in Macau, as well as factories in the Philippines, Thailand and Vietnam offer a broad geographic footprint. We have the scale required to absorb large orders and to produce reorders, line infusions and quick turn orders.

Strong Customer Relationships

In addition to our traditional manufacturing capabilities, we focus on product design, fabric and accessories development and sourcing, pattern and sample creation, and quick response and replenishment program execution.

Since 2003, the Company has adopted a strategy of key account management and has developed multi-product and multi-country relationships with our core customers. This strategy has broadened and strengthened relationships with several existing clients and opened up opportunities with new accounts. For its performance in 2005, the Group was recognised with the "Most Valuable Partner Award" from Jones Apparel Group, the "Five Star Award" from Macy's Merchandising Group and the "10 Year Relationship Award" from Dress Barn.

Cost Control

We will continue to work on productivity enhancements at our factories, as well as, better managing materials costs and logistics expenses. The Group has exited high cost and/or low efficiency locations. Production capacity has been increased in low cost and/or high productivity factories. Namely, new capacity has been added in Vietnam and China.

Corporate Social Responsibility

"We make social compliance a strategic priority, in recognition of this increasingly critical customer requirement". Corporate Social Responsibility ("CSR") continues to be important for our customers, as they respond to the demands of the market place relative to promoting workers' rights around the world. Total CSR compliance is a prerequisite for being a supplier, and each year the requirements have become more stringent.

All sites have initiated actions to implement a consistent auditing and accountability process encompassing health, safety and environmental compliance in addition to meeting the social responsibility requirements of our customers.

Human Resources

We are fortunate to have many talented, experienced and dedicated professionals in most areas. In 2006, we will continue to focus on enhancing teamwork across functions and geographies. We will drive to adopt best practices at an even faster pace, so that we can be the leader in our industry in delivering speed, flexibility and service to our customers.

OUTLOOK

While the 2005 results are encouraging, the Group is undoubtedly facing greater challenges in the face of quota elimination in 2005, and yet the imposition of safeguard quotas on China and Vietnam. Currency appreciation and wage inflation in the countries where we have production facilities is a negative factor.

The revenue outlook for 2006 is challenging, as prices and margins are under pressure. We will continue to be a long-term player, serving our customers with a multi-country delivery platform.

The dynamic and competitive global market after quota liberalisation inevitably weeds out those inefficient garment manufacturers. As a leading manufacturer of a wide range of apparel, the Group has a decisive advantage with reference to its efficient, low cost and large-scale production facilities. We will continue to focus on maintaining high quality and high value added for our customers, while keeping tight control over production costs.

APPRECIATION

I would like to thank all our customers for their confidence in the Group. We thank you for your business, your partnership and your continued support. To the entire family of Tristate employees, we could not have achieved these results without you. Thank you for your dedication, professionalism, and team spirit. Finally, as always, we would like to express our appreciation to our shareholders and business partners.

WANG Kin Chung, Peter

Chairman and Chief Executive Officer

Hong Kong, 13 April 2006