

Chairman's Statement

Introduction

Although global GDP growth is expected to continue in 2006 at 4.9%, the first half of the year was dampened by uncertain market conditions resulting from high interest and energy rates, and global trade issues affecting the textile industry. Of particular interest are the proliferation of bilateral trade agreements that have led to the increasing use of anti-dumping and other protectionist measures. The removal of the textile quota and the recently announced movement of the renminbi against the US dollar have caused sourcing in China to become more expensive than before. The Group has responded well to changes in global trade, as it remains geographically diverse with a comprehensive network to enable its customers to retain flexible global sourcing during uncertain times.

As a result, the Group recorded double-digit growth in both turnover and profit. Turnover growth came primarily from organic development augmented by several successful acquisitions. The improvement in profitability was a result of the Group's higher-margin business model, which continues to yield positive returns.

The performance of the Group in the first half of 2006 represents strong progress in line with the Three-Year Plan 2005-2007 and the turnover target of US\$10 billion.

Performance

In the first half of the year, Group turnover increased by 19% to HK\$28 billion. Profit attributable to shareholders was HK\$764 million, an increase of 24% when compared with the HK\$618 million for the first half of 2005. Earnings per share were 23.6 HK cents (2005: 19.2 HK cents, after adjustment for 1-for-10 bonus share issue during the period).

The Board of Directors has resolved to declare an interim dividend of 16 HK cents per share (2005: 13.2 HK cents, after adjustment for 1-for-10 bonus share issue during the period).

Market and Business

The Group's sourcing business witnessed steady growth across all its key markets – USA, Europe, Canada and Australia. The outsourcing trend for customers grew stronger, and private label gained further currency. The Group also doubled its presence in Mexico, Central and Latin America from a small base established following a successful acquisition in 2004.

A key driver of the Group's current Three-Year plan is a two-pronged approach to acquisitions focused on larger acquisitions to accelerate business growth and small-to-medium sized acquisitions to strengthen key areas of the Group's business. The Group's US onshore wholesale strategy is on track and complements its core sourcing business. The Group acquired the Oxford Womenswear Group, a private label women's apparel business, and Rosetti Handbags and Accessories, a private label women's handbags business which also licenses and sells private labels for major US retailers.

Separately, the smooth integration of the five companies the Group acquired in 2005 was a priority in the first half of the year. These included well-established businesses that complemented the Group's US onshore wholesale business and expanded our presence in various geographical markets. The contribution from these operations will be reflected in the Group's full-year results.

As the trend of globalisation of manufacturing continues to mature, major opportunities are developing, as China and India become more active participants in global trade. With a network of 18 offices in China and 5 offices in India respectively, the Group is well poised to capitalize on these developments.

Prospects

The Group's growth prospects will continue to be driven by organic growth, outsourcing deals and selective acquisitions.

Organic growth will be a key area for driving growth and better margins. In recent years, the majority of the Group's existing customers have performed very well and it is expected that they will continue to maintain their growth momentum. Against this backdrop, the Group will concentrate on further expanding its value added services to these customers and target new ones.

The Group's US onshore strategy is taking shape. Solid impetus has been created for its brand strategy and the Group continued to build its US onshore business through licensed brands, private labels and proprietary brands. These initiatives will add to the momentum and fuel growth in the second half of 2006.

Acquisitions will continue to be a core competency of the Group. With more than 15 successful acquisitions over the past 6 years and a disciplined process for acquisitions and integration, the Group has strengthened different business areas including its core sourcing business and generated significant back room efficiencies. New acquisitions will be actively considered with the same criteria to ensure that value is created and earnings are enhanced as a result.

Chairman's Statement (continued)

At the macro level, major global trends are working to the advantage of the Group. The global outsourcing trend is stronger than ever as customers seek complete solutions to sourcing and improved efficiency, and WTO-related changes create additional opportunities for the Group's business model. Developments in China and India also play to the Group's strengths. These initiatives together further enhance the Group's leadership position in sourcing, rendering the Group the prime contender for major outsourcing opportunities across our existing key markets as well as new geographic locations. Its diversified and flexible global sourcing network gives it a competitive edge in serving customers in uncertain times.

Corporate Governance

The Group is in full compliance with The Stock Exchange of Hong Kong Limited's Code on Corporate Governance Practices (Appendix 14 of the Listing Rules). As before, the Group is firmly committed to high standards of corporate governance and will continue to promote a strong compliance culture, by upholding the principles of transparency, accountability and independence.

Conclusion

This is a special year for the Group as we celebrate the trading business' 100th year in operation. To commemorate this historic occasion, the Group will be celebrating with a series of events in each country in which it operates throughout the year as it looks toward nurturing an even stronger global enterprise in the coming century. To accomplish this, we will further strengthen our culture of openness as we look forward to *"Building for the Next 100 Years"*.

Success is built through people, and we are grateful for the contributions of everyone who has helped make the Group what it is today. I would like to express my appreciation to the members of the Board for their constant guidance and support. The Group's management team and staff have also remained dedicated and diligent, for which I would like to extend my personal thanks.

Victor FUNG Kwok King

Chairman

Hong Kong, 10 August 2006