

CHAIRMAN'S STATEMENT

We are able to report that the Group recorded a comparable level of sales in 2006 amidst a tough competitive environment for manufacturers in China. Profit margin dipped slightly due to rising costs, such as oil and fuel prices. During the year, a significant customer, which accounted for more than 10% of our 2005 sales, defaulted, and we had to make provisions for accounts receivable from them. With a valiant effort from our manufacturing division, we are able to make up for the turnover by increasing business from our other customers and new customers. Gross profit margin declined slightly due to the said cost increases and appreciation of the Renminbi.

In 2006, we reached an agreement to sell our minority investment in a China sportswear distribution business. This resulted in significant capital gains, of which HK\$136.0 million being booked for 2006 and a further HK\$19.5 million is expected to be accounted for in 2007.

RETAILING AND BRANDING BUSINESSES

We continue to believe that the branded consumer goods business represents a major opportunity in China. Competition is stiff, and powerful differentiation is essential. One such differentiation is branding, and global branding is one approach which we take. Having said that, when we invest in branding and consumer retailing in China, we take care to avoid any conflict with our loyal manufacturing customers.

In early 2007, we successfully obtained a long-term exclusive China distributorship for the world's number one swimwear brand, Speedo. The distributorship has 18 years to run. As the Chinese people become more affluent, they are embracing swimming and water based sports and leisure activities. The Chinese government is promoting swimming as a national sport. Subsidies are given to provide funding for the building of swimming pools in high schools nationwide. The sale of leisure boat in China is reported to have grown 40% in 2006. Around 350 exhibitors have participated in Shanghai's China International Boat Show. As the world leader in swimwear, Speedo will enjoy huge success in China. In addition to its hi-tech swimwear, Speedo is also adding other sports and leisure garments to its product line.

We have a minority interest in the up and coming ladies fashion shoes brand AEE. The brand is gaining momentum and brand awareness. We regard AEE as a shoes brand equivalent of Zara, as both companies capitalise on consumer demand for a fashion brand which is more in line with the best of international trends at affordable prices. Sales of AEE has grown 135.6% in 2006.

The Company is also seeking to establish retail channel network for apparel and other consumer goods in China, and is considering a number of investment projects. In 2005, the Company started investing in passive minority interests in global brands. Hagggar, established in Dallas Texas in 1926, produces man's apparel, especially pants. Under new management, the company has re-positioned its pants as a premium-priced, quality product. Every garment sold by Hagggar is covered by a "Quality for Life" guarantee. The product line is also being expanded to include suits. The Company is also a passive minority investor in Pony. Under new management, the brand image and product lines are in the process of being re-positioned for the United States market.

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APPRECIATION

On behalf of the Board, I would like to express our gratitude to all our customers, suppliers and shareholders for their continuous support. We would also like to thank our team of dedicated staff for their invaluable services and contributions throughout the year.

Li Kwok Lung Alfred Ronald
Chairman

Hong Kong, 11 April 2007