

chairman's statement



CONTINUOUS GROWTH IN BUSINESS

The steady growth of Hong Kong's economy in recent years together with the vigorous economic development of the Mainland provided impetus to the Group's growth. During the year under review, the Group recorded a turnover of HK\$1,774,007,000, representing an increase of 32% as compared with that of the previous year. The Group's profit attributable to the equity holders was 123,092,000. Earnings per share was HK4.55 cents.

DEVELOPING A DIVERSIFIED FASHION GARMENTS BUSINESS AND MULTI-BRAND STRATEGY

During the year under review, the Group further refined the local sales network strategy by expanding coverage of our outlets, resulting in gradual increase of our market shares in various areas. With the Group's large-scale promotion campaign, we have successfully established a clear corporate image in the minds of local consumers. The establishment of our brand image not only helps improve our local fashion garments business, but more importantly, builds a solid foundation for the growth of the Group's overall business. Moreover, the Group's reputation as "Hong Kong's major fashion brand" in both Hong Kong and the Mainland market has been enhanced. As a result, we have paved a broad road to capture business opportunities in the Mainland and Hong Kong.

The rise in income per capita in the Mainland brought about strong consumers' demand on quality fashion garments. In addition, the steady growth of Hong Kong's economy also drove the robust rebound of the retail industry. Against this backdrop, the Group decided to diversify and expand our fashion and garment business to include a wide range of middle to high end brands, and increase product varieties to meet market demand. During the year under review, we took two initiatives for our fashion garments business. They are the establishment of SEVENDAYS, a multi-brand shop in the Mainland as a distributor of a number of designers' labels, such as PEZZX, from Hong Kong and the Mainland, and the opening of U-MIX, a new outlet for the sales of other Hong Kong's designers' labels that compliments the brand of U-RIGHT.

STRENGTHENING INNOVATIVE TEXTILE TECHNOLOGY WITH AN EXPANSION OF TRADITIONAL PRODUCTS' VALUE ADDED VARIETIES

The Group is committed to develop innovative textile technology to add value to the traditional textile products. The nano processing technology and feather-fibre textile technology launched by the Group have been well-received by the consumers in both the PRC and Hong Kong, and have gradually become major attractions of our products to the consumers as well as increase our product's competitiveness. To meet the growing application of nano processing technology to textile products in the PRC, the Group has decided to further develop the nano processing business to provide up-stream textile products and expand the scope of application of such technology to a wider range of products. The Group has commenced the construction of a new nano processing base for textile products in Yixin City, Jiangsu Province in the PRC to further strengthen its nano processing capability. In addition, the unique "light-weight, thin and warm" characteristics of the "Super Warm Micro Feather" Series launched by the Group have created a whole new concept to thermal-retention apparel. The Group firmly believes that such innovative technology - based products have their market potential and therefore, in addition to reinforcing its sales network, plans to further increase the application of this technology to capture more market shares and bring better quality products to the consumers.

Riding on the robust economic growth of the PRC and Hong Kong as well as the growing domestic demand brought by the Beijing 2008 Olympic games, the group has expedited the expansion of the sales network for the garment business in order to capture rising demand. In view of the rapid growth of its sales network for the garment business, which will help boost the Group's long-term business, the board of directors did not recommend payment of a final dividend for the year.

BREAKTHROUGH IN TRADITIONAL FASHION GARMENTS BUSINESS

Looking ahead, along with flourishing economy in the PRC and the growing domestic demand driven by the 2008 Beijing Olympics, the Group believes that, by introduction of a variety of quality fashion brands and the expansion of our business operation, our diversified fashion garments business will benefit from the prosperity of the PRC, and is confident that the Group will become a rapidly growing and diversified fashion retailer, and building a solid foundation for further growth. In addition, the Group will enhance its corporate image and its competitive edge by adding value to our products through licensed textile technology. In the meantime, the Group will also strengthen our leading position in the area of fashion and textile technology by expanding retail network and improving production facilities.

SHAREHOLDER BASE

The Group issued a 5-year zero coupon convertible bond amounting to HK\$60 million to ABN AMRO Bank N. V. during 2006, the first time that the Group has issued such debt securities. The Group expects that the issue of the convertible bond will attract more international strategic investors and strengthen the base of our shareholders and our corporate profile. This will bring a positive result for the long-term growth of the Group's business.

ACKNOWLEDGEMENT

Finally, I would like to thank our business partners, customers, suppliers and shareholders for their unwavering support to the Group over the previous year, as well as our management team and staff for their whole-hearted dedication to the U-Right Group's success.

Leung Ngok
Chairman
Hong Kong, 27 July 2007

