

The second half of fiscal year 2002/2003 was not a good time for the people in many parts of the world. There was a war in the Middle East, and outbreaks of SARS in Asia which threatened lives, caused social unrests, and dampened economy recovery. It was neither an easy year for business and operations.

The Group in this adverse environment managed to sustain its strong performance and accomplished breakthrough results in Sales and Earnings for the year, both records high in the history of the Company.

Sales turnover passed the billion dollar mark to HK\$1.094 billion, an increase of 29% from the previous year. Net profit increased 90% to HK\$133.9 million, from HK\$70.3 million recorded in the previous year. Basic earning per share increased to 14.3 cents from 9.5 cents recorded last year on a share capital base that was 39% smaller.

The strong performance was driven by the continuous growth of our core business. During the year, we shipped over 52.9 million units of brassiere products. This reflects an increase of 25% in our production output from 42.2 million units recorded in the previous year. The improvement was most evident in the first quarter of the fiscal year, which traditionally was the slow season in our trade. All the plants capacities were fully filled.

While on the other hand our Branded business posted a loss of HK\$9.6 million for the year, we are confident with the future of it. Much of the loss was anticipated as necessary costs in repositioning our brands in the market. During the year, we set up a marketing office in Shanghai and a separate plant in Shenzhen. The moves will enhance our sales management in the China market and to provide dedicated production support that the business deserves. Other than the temporary setback by SARS, we are encouraged by the progress of the development.

Financially, 2002/2003 also marked a milestone in the history of the Group. We fulfilled all the obligations under the Financial Restructuring Agreement we entered into with the banks five years ago. Our share capital base was enlarged to 1,071,349,957 shares as resulted from the conversions of shares under the Convertible Loan Note Agreement. Upon the expiry of both agreements in January 2003, the Group has successfully reestablished itself a financially sound and healthy company.

We are pleased that the Group is well in a position to resume declaring dividends. Your Board of Directors has proposed a final dividend of 4 cents per share and a special dividend of 2 cents per share for the year.

CHAIRMAN'S STATEMENT

Looking ahead, we are cautious with the market outlook in the short term. Consumer sentiments in our major markets have yet to recover to the pre-war level. In addition, our trade is clouded by the recent development of the Safeguard Petitions in the U.S. aiming to resume quota control on import of brassiere products from China. Nevertheless, we are confident that we could maintain the momentum of our business growth beyond the hurdles we see in the short term. Recent economy indicators are suggesting that an upturn may take place in the next twelve months. In addition, the Company has successfully developed new OEM customers in Japan, Europe and the U.S. which helps to broaden our customer base.

Moving forward, the Group will adhere to its strategic plan of continued expansion in China while maintaining the current level of production capacities in Thailand and Philippines. We believe our expansion in the low cost areas in China will enhance the cost competitiveness of our core business for the long term, and that the production facilities outside China will balance the risks associated with trade disputes that are likely to arise from time to time between China and other trading nations after 2005, when the quota system is totally abolished. The branded business, while being repositioned, is not expected to have much significant impact on the Group's performance in the near future. However, given the attention and investment of resources it deserves, we are confident that the business will over time become another growth and profit driver for the Group.

On behalf of the Board of Directors, I want to express our gratitude to our shareholders for their patience, to our customers, banks, and suppliers for their support, and last but not least, to our employees for delivering the excellent results.

Fung Wai Yiu

Chairman