During the year, the Group's business activities were organized into two operating units, namely Manufacturing and Brands, and a Corporate Cost Centre.

	Turnover		Profit (Loss)	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Manufacturing	**1,070,467**	817,792	**186,304**	109,000
Brands	**23,897**	29,054	**(9,587)**	(3,518)
Corporate	**–**	–	**(18,353)**	(26,863)
Total	**1,094,364**	846,846	**158,364**	78,619

MANUFACTURING

The strong performance was driven by the continuous growth of our OEM business. Sales for the year increased by 31% to HK$1.070 billion with the first half of the year accounted for almost 51% of the revenue.

While the first half of our fiscal year was traditionally a slower period with lesser sales than the second half, the unusual performance was resulted from the continued demand in inventory replenishment after the 9.11 disaster, and the market movement of relocating sourcing from the less stable countries in the region to our operation regions particularly to China, where export quotas for brassieres were eliminated since January 2002. Our business increased with virtually every customers in all markets.

Sales in the second half of the fiscal year dropped slightly from the first half, but increased 24% comparing with the same period in the previous year. From the operation standpoint, the second half of the fiscal year was most challenging. The outbreak of SARS in Asia called for cancellation of business trips and customers visits, and prompted the Company to implement precautionary procedures and contingency plans; all of which inevitably compromised business and operation efficiencies. Nevertheless, we are pleased to report that we did not lose customers and business under the impacts of SARS, reflecting the customers' confidence in the Company's ability in risk management.

During the year, we shipped 52.9 million pieces of brassiere products, an increase of 25% over the total units we shipped in the previous year. The increase in output was supported by full utilization of plants capacities, and the timely implementation of the expansion project in the Jiangxi province in China. Stage I of such project was completed last October and has since been operative. Stage II was just completed in August this year, and stage III, the final stage, is scheduled for completion by the end of 2004. When the entire expansion project in China is completed, our total capacity will be increased to 60 million pieces on an annualized basis.

BRANDS

Our Brands business posted a loss of HK$9.6 million for 2002/2003, of which HK$6.3 million was recorded in the first half of the fiscal year. Sales decreased 18% from the previous year to HK$23.9 million. In our strategic plan to redevelop the brand business to be the future growth driver for the Group, we placed emphasis on brand building. In the first half of the year, we needed to first redefine our markets and reposition our products which inevitably incurred high costs and sales loss. The unexpected SARS outbreak in the second half of the year exacerbated the already faltered economy, resulting in diminishing consumer spending and loss of sales for business. Despite this adverse environment, your management adhered to the strategic plan and focused on building the infrastructure of the business for long term growth. During the period we established a sales and marketing office in Shanghai, we set up a stand alone factory in Shenzhen so as to provide dedicated production support to our brands' needs, and we have entered into discussions with several marketing consultant firms for implementation of our brand building project in the next fiscal year.

CORPORATE

Corporate spending continued to decline during the fiscal year from HK$26.9 million recorded in the previous year to HK$18.4 million for 2002/2003. The decrease reflects primarily the saving in interest expenses due to the reduction in bank debts and settlement of the Convertible Loan Note Agreements as referred to under "Financial Position". In addition, a profit of HK$3.1 million derived from the disposal of the Group's investment in securities also helped to lower down our corporate expenses.

FINANCIAL POSITION

The Group continued to improve its financial position on the following counts:

- Shareholder funds was increased from HK$41.4 million as at 30 June 2002 to HK$267.8 million as at 30 June 2003. This is largely due to the conversion of US$12.1 million from the Convertible Loan Notes resulting in the issue of 300,828,495 shares by the Company during the year, and partly to the improvement of our earnings.

- The Group fulfilled the obligations under the Financial Restructuring Agreement and the Convertible Loan Note Agreement it entered into with the banks and the Convertible Loan Note Holders in 1998. Upon the expiry of the such Agreements in January 2003, the Group successfully renegotiated with The Hongkong and Shanghai Banking Corporation, Hang Seng Bank and ING Bank for a banking facility of up to HK$140 million on normal commercial terms sufficient to support our business needs.

- Of the HK$140 million banking facilities available to the Group, only HK$30 million were utilized on regular basis, reflecting the Group's ability to generate internal cash flow in support of its needs.

- The Group has been in a net cash position. As at 30 June 2003, available cash to the Group net of bank borrowings was HK$80.0 million.

- The Group's current ratio has increased substantially from 0.96 as at 30 June 2002 to 2.4 times as at 30 June 2003. This is mainly attributable to the settlement of the Convertible Loan Notes and the reduction of the bank borrowings from HK$92.7 million to HK$20.8 million as referred to above.

- As a result of the strong net cash inflow from the operating activities, the Group was able to attain a cash balance of HK$100.7 million as at 30 June 2003 as compared to HK$70.6 million recorded last year.

- Our gearing ratio, which is measured by total borrowings to net worth, was significantly reduced from 489% to 8%. This was accomplished by a combination of the above factors.

OUTLOOK

The retail market in the U.S., as clouded by the Middle East War, has turned sluggish since earlier this year. As reflected by the orders on hand, our customers have become much cautious in committing their production needs. Averaged order lead time for the first recent three months was shortened to 12 weeks, comparing with 16 weeks in the same period of the previous year. On the other hand, we are encouraged by the recent market feedback in that an economy recovery may start to take place in the coming months. In addition, the Company has successfully developed new accounts in Japan, Europe and the U.S. which, over time, should become meaningful additions to our customer list. While we remain cautious in our business approach in the short term, we are hopeful that we could maintain the current level of performance going forward.

Wong Chung Chong, Eddie
Group Managing Director