



RESULTS

Year 2000 was a remarkable year for the Group subsequent to the merger of Tristate Holdings Limited and Hwa Fuh Manufacturing Company (Hong Kong) Limited in April 1999. The Group achieved a sales turnover of HK\$2,431,891,000 and profit attributable to shareholders of HK\$112,663,000 for the year ended December 31, 2000. Compared to the previous year, sales improved by 17% and profits increased dramatically by 52%. Earnings per share has also increased by 30% from HK\$0.33 to HK\$0.43.

REVIEW

The management team continued to focus on improving financial results, people development and customers satisfaction in year 2000.

Financial Results Focus

This year we focused our management resources in the major sales and manufacturing profit centres for financial results improvement. Corporate level measurement charts with key financial and non-financial data were set up to measure the respective performance of these centres. Basis for measurement was carefully consulted, defined and communicated to all the profit centres. Data were properly collected, filtered and used as the baseline for measurement. Management teams from these profit centres were consulted of the baseline before the targeted entitlement was confirmed. Based on the measurement charts, we implemented the balanced scorecard performance measurement system to link up the performance and rewards of individual executive. We believe that what we get measured get done.

Through the process of building up the above measurement standards and definitions, we were also able to create a common language across the merged organisation. Cross functional teams were formed to enhance process improvement and barrier removal. By means of these disciplinary exercises, our people were able to reach out and work closer with others from different divisions and functions of the organisation.

Some of our key focuses above were to improve the turnover of the work-in-progress on the production floors; the first pass yield in our manufacturing process and prototyping process as well as the cycle time in our total fulfillment process. By focusing our effort in improving these processes, the financial results were improved as expected. We believe we are on the right track and we will continue our effort in 2001 to roll out the same activities to other sales and manufacturing profit centres for greater achievement.

People Development Focus

We recruited several high level executives to deepen our human resources bench. Their arrival was critical to mobilise our new way of doing business. External consultants from the Thomas Group were employed for our business process improvement. They worked closely with our sales and manufacturing teams to build up the measurement system, baseline and entitlement. Training sessions were provided to enrich our people's management skill and mindset.

Our human resources department also launched a major project to redefine job description and reporting structure, to work for title realignment, staffs review process and training. University graduates recruitment program was intensified. New recruits were put into a three weeks' tailor-made training programme in our corporate training centre before being posted to different centres in different countries. Traditional floor managers and supervisors were also trained to improve their management and technical capabilities. More industrial engineers and production engineers were being introduced into the production floors. Being a learning organisation in the pursuit of continuous improvement, we foresee our biggest investment in the years to come will be in the human resources development.

Customers Satisfaction Focus

A few months ago, we did a customer survey for our key customers. The response rate of the survey was encouraging. The treasured information gathered was carefully analysed and action plans were initiated. We will closely monitor our initiatives and the future feedback for continuous improvement.

Our sales teams' regular visits to our overseas customers would include key staffs from the fulfillment teams. These field trips were highly rewarding to everyone. The measurements on improving prototyping first pass yield and cycle time together with the fulfillment cycle time were crucial for delivering satisfactory services to our customers. Our procurement executives put great emphasis in supply chain management by working closely with our key vendors to ensure good communication and cooperation, to improve cross organisational process, and finally to enhance our flexibility and services to our customers.

2001 OUTLOOK

US represents 61% of our total revenue. There is great concern that the current slowdown in economic growth will impact consumers' spending. Facing this challenging environment, we believe that our investment in human resources development is far more important than fixed asset investment. We are in the fashion business and it is the people who can deliver the differentiated service. The fundamental challenge in the new economy is whether we can function in a much faster pace. In order to increase process speed, we need to operate quite differently than before. Mindset is the biggest barrier in many circumstances. We will continue to develop and encourage our people to perform according to our measurements. I believe that we can deliver a compelling product and service to our customers. We are confident in expanding our market share even under a challenging environment and we anticipate there will be a healthy growth in our overall performance.

APPRECIATION

I take this opportunity to thank our entire staff and work force for their continuous dedication. Last but not least, I also wish to thank our shareholders for their ongoing support and trust in us in creating long term value.



Wang Kin Chung, Peter
Chairman & Chief Executive Officer

Hong Kong, April 9, 2001