

The results for year 2001 have been disappointing from a revenue and operating profit perspective. This was particularly so in the last few months of the year, during which the Group was adversely impacted by the sluggish economic outlook in the USA and Europe that affected the slowdown in the global economy. In addition to the loss from operations, the Group also had to write off and write down several items relating to fixed assets and the Group's interest in associates this year, which are all exceptional in nature but reasonable in light of the circumstances.

Internally, the Group's working capital had been under constant pressure, due to quarterly interest payments that became due to the bankers. On a number of occasions during the year, the Group was unable to make the interest payments, but after negotiation, was able to obtain relief from the banks. A waiver was given such that the non-payment of interest was not regarded as an event of default under the terms of the loans.

While management continued to operate the business, negotiations took place between the bankers and potential new investors to acquire a majority stake in Swank. While this was progressing, the uncertainty associated with this potential corporate change also adversely impacted the operating performance of the Group. I am pleased that agreement was finally reached in January 2002 between the bankers and Tomorrow International Holdings Limited ("Tomorrow"), whereby the bankers would sell their majority shareholding in Swank, along with the loans, to Tomorrow.

2001 was a difficult year for Swank, but now that the acquisition process has been completed in March this year which led to a restructuring of the balance sheet, the management team can now look forward to growing the Group in the coming year.

I would like to take this opportunity to thank most sincerely the management and staff for their tremendous commitment and loyalty to the Group, to both our suppliers and customers in maintaining their relationships with the Group and to our professional advisers for their advice and guidance given to the Group.

By Order of the Board
Gerald Dobby
Chairman

Hong Kong, 19 April 2002