Chairman's Statement

Group turnover for the year ended 31 March 2002 was HK$487.8 million, a decrease of 33.3% compared with the previous corresponding period. The sharp decrease is mainly due to the anticipated termination of the Group's Armani franchise, which expired in January 2001. Excluding the Armani franchise's contribution to turnover from the previous corresponding period, the decline in turnover would have been 9.5%. The Group reported a loss of HK$85.1 million compared with a net profit of HK$7.2 million in the 15-month 2000/01 financial period.

Joyce's core Hong Kong retail operations, excluding the Ad Hoc division, reported a loss of HK$34.2 million. These results directly reflected the fall-off in earnings resulted from the expiry of the Armani franchise. The attributable operating profit contributed (before central overheads) by the Group's Armani retail operations was HK$34.1 million for the year ended 31 March 2001.

Changes to the accounting estimates of the Group's stock provision policy resulted in an exceptional provision of HK$21.8 million.

The Ad Hoc division, which is being wound down, reported a HK$16.3 million operating loss, in addition to a HK$4.4 million closure cost incurred for the business. The Ad Hoc retail concept represented the Group's strategy of product and market segment diversification, particularly into the young, 'street fashion' segment. This mid- to low-priced segment was, however, more severely affected by the local economic slowdown than Joyce's core high-end segment and has been characterized by extremely keen competition. Taking into consideration local and global economic trends, the Group does not foresee the possibility of a satisfactory turnaround in this segment in future and has decided to cease the Ad Hoc division's operations as store leases expire. The Group intends to redirect the company's resources to other areas which offer better prospects.

With an array of social and economic challenges prevalent in our major markets, we continue to adopt a prudent approach to growing our core business. Measures were taken to better serve customers and to increase turnover and profit in our stores, while maintaining strict controls on overhead expenses. In August 2001, the Joyce Taiwan store was renovated and its size reduced by approximately one-third, resulting in increased turnover and lower rental costs. In September 2001, Joyce at Pacific Place was expanded from 4,000 square feet to 8,700 square feet. In March 2002, Joyce at Nathan Road was relocated to more cost-effective and better located premises on Canton Road, anchoring the expanding Joyce retail presence at Harbour City. As proved to be the case in our Taiwan operation, increased turnover coupled with rental savings should significantly improve the Kowloon store's profitability. The full benefits of these moves will be seen in our results for the 2002/03 fiscal year.

To remain competitive, the Group is maintaining a low cost base for its operations. In the first quarter of 2002, the Group has carried out a company-wide manpower streamlining and cost reduction programme. The Group reduced headcount by 13%, in addition to a general salary cut of 5% to 10%. The expected saving in staff costs will be approximately HK$10 million for the 2002/03 fiscal year. Through strengthened IT support and rearrangement of work procedures, efficiency and productivity can be maintained.

With its concentration of operations in Hong Kong, Joyce has been exposed to the city's difficult climate. We are committed to creating a more balanced business portfolio across Greater China and, consequently, lessening the Group's dependence on the Hong Kong market. Taiwan, currently Joyce's other major market, holds considerable upside potential for the Group and is certain to be, with mainland China, a cornerstone of our growth strategy in years to come.

Mainland China's economic growth rate, fueled by mounting foreign investment following its accession to the WTO, is expected to remain steady. This should spur wealth creation and increase spending power among followers of international fashion. The rapidly growing presence of foreign retail groups has stimulated customer demand for higher-quality merchandise and service. This trend is certain to move upscale. Joyce, a natural partner of choice in China for major fashion houses, is carefully planning its strategic move for entering key China markets.

This past financial year, marked at its midpoint by the devastating events of 2001 and their aftermath, proved to be more challenging than could have been envisaged. Consumer spending was restrained against a background of global economic and political uncertainty and business deconstruction. Joyce management has made appropriate adjustments to changing trading conditions.

The board expects a gradual improvement in Joyce's operating results, although we are naturally wary of making precise forecasts about the expected pace of recovery in key markets. Joyce has managed to maintain the delicate, vital balance between its short- and long-term requirements, and the board is confident in the management's ability to skillfully handle the pressures on current earnings while working to secure Joyce's long-term, hard-earned market leadership.

The Group's net cash position, at HK$207.9 million as of 31 March 2002, remains sound and is adequate for its current requirements and expansion needs.

Some things, I am pleased to note, do not change. The Group's staff, management and business partners have again displayed uncommon steadfastness, excellence and productivity in extremely tough times. On behalf of Joyce's Board and Stakeholders, I would like to express our deep gratitude.

Walter K. W. Ma
Chairman

Hong Kong, 5 June 2002