CHAIRMAN'S STATEMENT

RESULTS

The fiscal year ended March 31, 2002 is well recognized as a year full of unprecedented challenges and adversities.

The turnover of the group decreased by 17% to HK$1.4 billion. Audited profit attributable to shareholders and earnings per share decreased by 27% to HK$88 million and HK25 cents respectively. Coupled with the impact of the change in accounting policy on the recognition of dividends proposed after the balance sheet date, the shareholders' funds increased by 3% to HK$535 million or HK$1.52 per share, and the return on average equity decreased to 17%.

FINAL AND SPECIAL DIVIDEND

Based on the strong balance sheet and liquidity position, the Board of Directors has resolved with delight to recommend at the forthcoming Annual General Meeting a final dividend of HK11.5 cents per share (2001: HK15 cents per share) and a special dividend of HK2 cents (2001: Nil). These dividends are payable on September 18, 2002 to shareholders whose names appear on the Register of Members on September 10, 2002. Including the interim dividend of HK5 cents paid (2001: HK5.5 cents per share), the total dividends for the year will be HK18.5 cents per share (2001: HK20.5 cents per share).

25TH ANNIVERSARY

To celebrate the 25th anniversary of the foundation of the Group, and to reward all our shareholders for their past and ongoing support, the Board of Directors has resolved to recommend a special dividend of HK2 cents in addition to the final dividend of HK11.5 cents.

BUSINESS REVIEW

The tragic incident in September 2001 brought the world to a virtual standstill for a while. In the aftermath, the economy of the United States gradually dipped into recession. Corporate profit shriveled, jobless rate rose and consumer spending contracted. Customers of the Group were rational and extremely cautious in placing purchase orders. In the meantime, the economy of Japan continued to be sluggish and there were no positive signs for the economies of Europe.

CHAIRMAN'S STATEMENT

In our last annual report a year ago, we stated our pessimistic short-term outlook and believed that the demand in the apparel sector of our major export markets would be inevitably depressed. We planned for a very difficult year ahead with negative growth in sales turnover and profit. We then reacted rationally and conservatively, and tightened up the control over all fundamentals. Most importantly, we dedicated strenuous efforts on product development and selling service, process and system re-engineering, productivity enhancement, cost reduction, cash flow and balance sheet management. We strove to alleviate the adverse impact of the drop in sales turnover on the operating profit and sustained an effective cash-generating business model.

The miserable external business environment was detrimental to the performance of the apparel manufacture and export business. Export sales to North America market decreased drastically by 20% to HK$1,243 million, representing 88% of the turnover of the Group. Export sales to the sluggish Japan market dropped by 17%. Export sales to Europe and other markets, however, increased by 22% from the dip last year – a small piece of encouraging news for the export division. In October 2001, we set up a direct marketing office in London to boost our sales to Europe in the long term.

In the year under review, the economic growth in China slowed down, but was relatively stable amid the global gloom. The domestic consumption maintained a modest growth rate. Despite the severe competition in the apparel retail market, the China retail division of the Group performed well in both sales and profit contribution compared to last year. Total sales increased by 22% and accounted for nearly 7% of the turnover of the Group. We adhered to our prudent "positive-contribution" approach in expanding the retail business operation. We had a net opening of 18 new stores, making a total of 58 stores in operation in the first-tier major cities in China at the year-end date.

INVESTMENT IN NEW ASSOCIATES

During the year, the Group strategically invested in three new associates, with a total investment cost of about HK$4 million. These associates are either silk-knit or woven apparel manufacturers based in Zhejiang Province in China, which strategically widen the product mix and geographical spread of production capacities in China. These associates have gradually commenced operations since early 2002 and are expected to make positive contribution to the Group in the long term.

CHAIRMAN'S STATEMENT

PROSPECTS

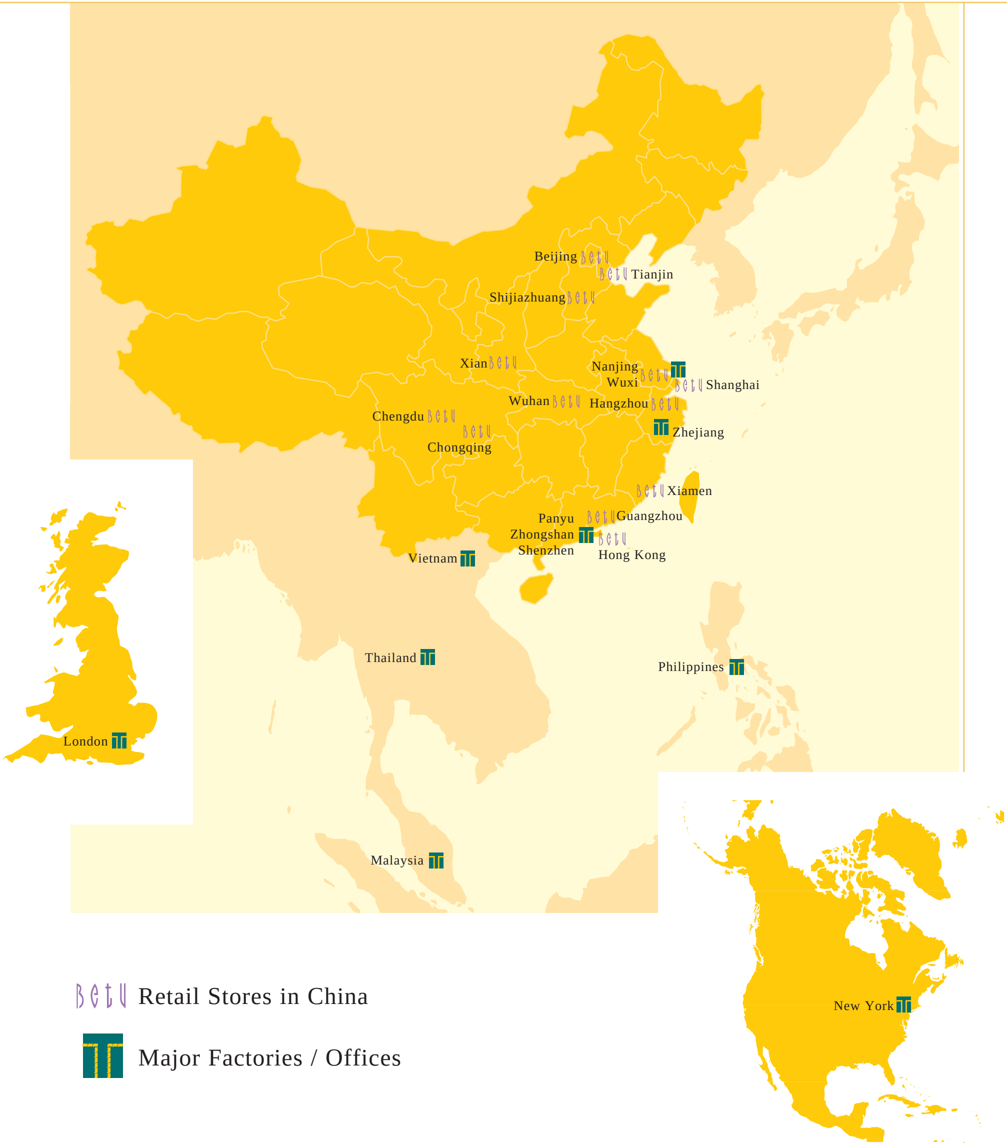
The recovery of the economies of our global export markets is still wavering with uncertain pace and strength in the short term. Nevertheless, we are ready to adopt a more aggressive sales strategy in both export division and China-retail division in the coming year.

We are committed to gain total satisfaction from our customers. We are to deliver products and services of the highest value. We are ready to serve and sell more. To keep achieving this daily goal, our strategy is to run our corporate infrastructure more effective than ever. We must continue our steps in simplifying and streamlining our organization, re-engineering our process and system with updated technology and innovation, upgrading our product design and development capability, and enhancing the productivity of our factory capacities.

For the export business, we will move forward the diversification of the product mix and geographical spread of the export markets. We will sharpen the leading edge of the silk apparel manufacture by cost-effective and flexible material sourcing power and strong productivity in China. We will grow the non-silk apparel manufacture based on the capable support of quota sourcing and production facilities set up in Thailand, Malaysia, Vietnam, the Philippines and China. On the other hand, our direct marketing office in London is functioning well and will bring more export orders in the coming year. Barring any unforeseen circumstances, the Group anticipates a marginal growth for the total export sales in the first half of the coming year.

In China, recent official statistics confirmed a strong economic growth in the first quarter and supported a favorable expectation for the second quarter of 2002. Although China is facing many challenges after the accession to the World Trade Organisation, we believe the economic growth of China will sustain fairly stable, due to the healthy domestic consumption drive, fast-growing foreign investments, and the proactive fiscal policy of the government. The Group sets a very long-term strategy on building the operating scale and significance of the China retail business. In the coming two years, we target to achieve an annual net increase of over 15 stores for the "Betu" label stores. As at report date, there are 68 stores in operation. With concern over uneven distribution of spending power among different regions and cities in China, we still focus on opening self-operating stores in the first-tier major cities. On the other hand, we are going to launch a new label by October 2002 with an initial plan of opening 3 to 4 stores for the new label by March 2003.

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

HUMAN RESOURCES

We are committed to invest much more than ever in our human resources. We are proud of the effectiveness of our organization, our people and our culture. Yet we always keep an open and proactive process to recruit new talents with experience, competence and energy in order to strengthen our management force. We will organize more intensive training programs, both external and internal. We are sponsoring more qualified managers to study relevant master or bachelor degree or diploma programs relating to industrial business management. We are conducting more developing and training programs for our people, with the objectives of changing mentality and upgrading capability in adopting new thought processes, new technologies and advanced management theories. In parallel, our people are totally committed to continuously self-upgrade to match the challenge of the ever-changing and extremely competitive external environment.

DIRECTORSHIP

The Group hereby announces that Mr. Tung Siu Wing has ceased to be an Executive Director with effect from July 11, 2002 but remains on the Board as a Non-executive Director of the Company.

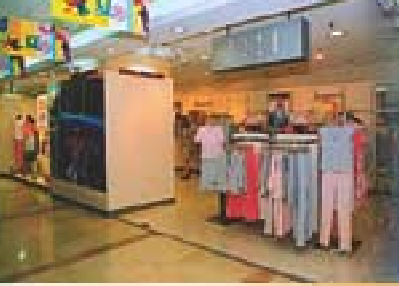
The Group is pleased to report that Mr. Woo Kwong Hon has been appointed as an Independent Non-executive Director of the Company with effect from January 25, 2002.

ACKNOWLEDGEMENT

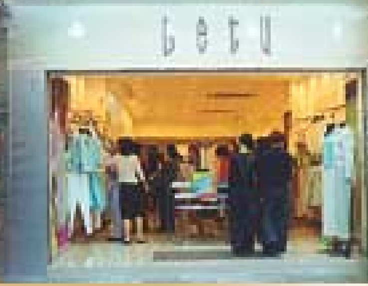
On behalf of the Board, I would like to thank all our people for their dedication and commitment to the business and our customers. I would also like to express our gratitude to our valued customers, business associates and shareholders for their continuous support to us.

Benson Tung Wah Wing
Chairman

Hong Kong, July 11, 2002



New World Department Store, Beijing

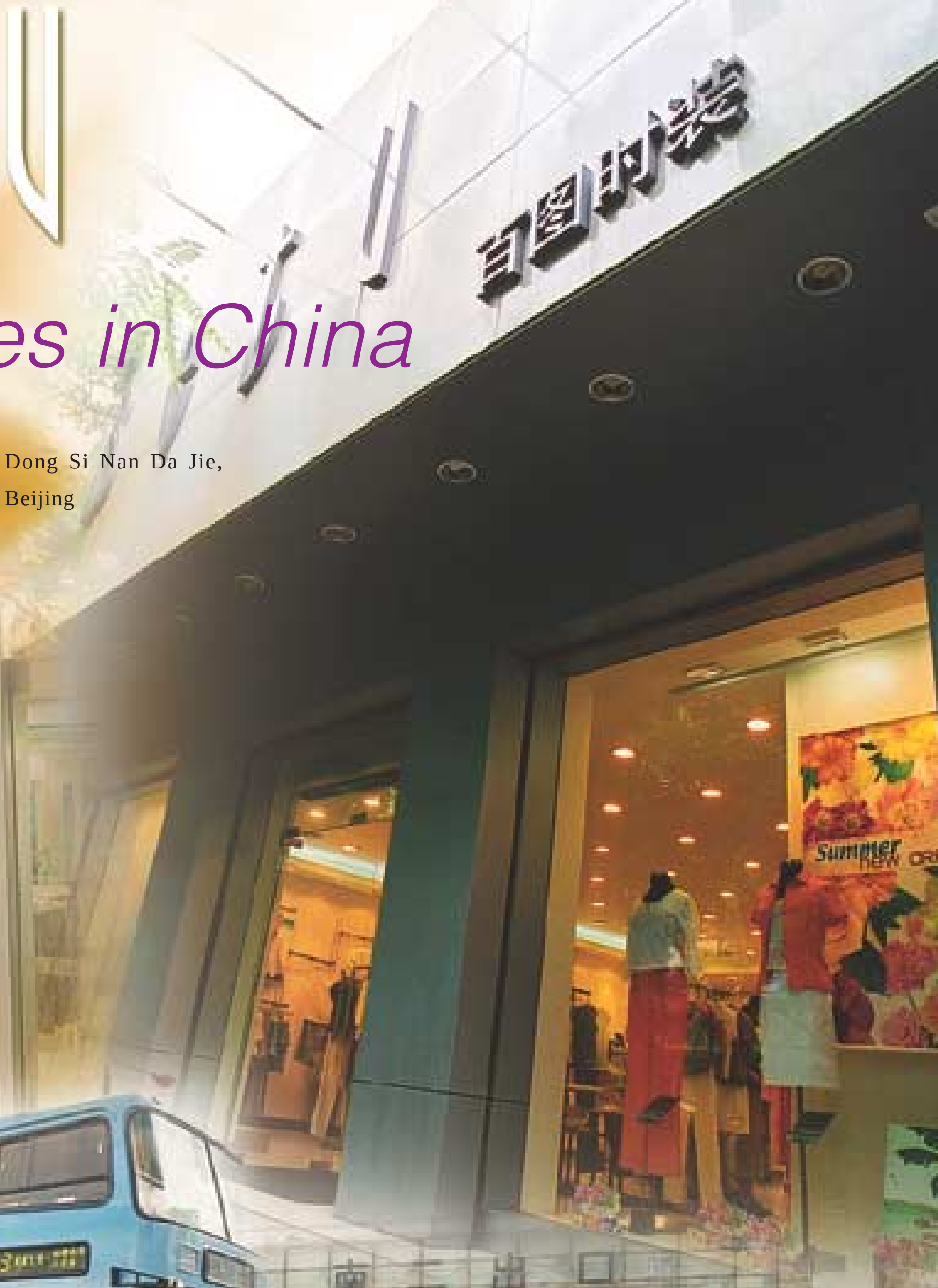


Jin Cheng Building, Shenzhen

Wang Fu Jing Department Store, Guangzhou

Pacific Department Store, Shanghai

Retail Stores in China



Dong Si Nan Da Jie, Beijing

Heng Bao Hua Ting, Guangzhou