
CHAIRMAN'S STATEMENT

GROUP RESULTS

Sales turnover of the Group for the year is HK\$1,160 million. Net profit for the year after tax decreased by 42% to HK\$28 million.

REVIEW OF THE CURRENT FISCAL YEAR 2001/2002

It has been a very difficult year for the garment industry. Although we can maintain more or less our sales volume, selling prices dropped drastically due to keen competitions from over supply of garments from many parts of the world. This has severely impacted results of many of our factories in particular Tac Cheong Lda. in Macau. Macau has always been a relatively high cost area but remained profitable the last few years because of reasonable gross margin from orders received. However as selling prices dropped, Tac Cheong Lda. incurred losses immediately. Restructuring of this factory is currently underway. Other factories which incurred losses are Hongkong Knitters Lanka (PVT) Ltd. in Sri Lanka and YGM (Cambodia) Ltd. However our factories in Myanmar and Lesotho can still produce a small profit while Exquisite Knitters (Guangzhou) Ltd. our factory in Panyu, China maintained a reasonable one although it has dropped from previous years.

Our investment in Wuxi Changxin Textile Co. Ltd. remain profitable although result has decreased compared to last year because of drop in selling prices of both yarn and fabrics. However we have increased our investment and the textile factory will expand its capacity because we believe in the business potential after 2004 when China's textile and garment will enjoy quota free access to most countries.

Our investment in Qinghai Changqing Aluminium Corporation in Qinghai, China, an aluminium smelter, achieved better result than last year because of lower raw material cost. However we expect profit will decrease in the coming year because we are experiencing some disruptions from converting all its smelter pots from self-baked to pre-baked technology which will meet the new national environmental standard and will bring future increase in annual production from 30,000 tons to 50,000 tons.

Yangtzekiang S.A., our French associated company continues to suffer losses although less so than last year. Hopefully with the surge of Euro exchange rate the company can return to profitability in the coming year. Re-organization of this company in both management and shareholding is underway.

During the current year, our company has made a new investment in W. Haking Enterprises Ltd., a long established manufacturer in optical instruments. This company will expand into digital camera and our investment is expected to breakeven in the fiscal year of 2002/2003.

OUTLOOK

Although garment manufacturing is our core business, the Directors recognize the difficulties of this industry especially in the years ahead when most of the world will be quota free to ship to all major markets creating even greater competition and lower order prices. While the management will employ all efforts to increase or maintain profitability of all our factories, still some factories might not be able to produce satisfactory results because of high basic manufacturing costs. We, therefore, will closely examine each factory's ability for profitability and will take corrective action.

We will continue to branch out into related business such as garment trading or even brand apparel marketing and retailing. We will also continue to seek opportunities to invest in other non-garment related business.

APPRECIATION

I would like, on behalf of the Board and shareholders, to express our appreciation to the Company's employees for their effort and loyal service to the Company during the past year.

By Order of the Board
Chan Sui Kau
Chairman

Hong Kong, 15th July, 2002