

Review of Operations

Asian Retailing

During the year ended 31st March, 2002, a total of 119 shops and corners were taken over and opened.

These shops and corners were opened under leading brands such as Chopard, Polo/Ralph Lauren, Polo Jeans Company, Tod's, Dickson Watch & Jewellery, Benetton, Sisley, O12, Kenneth Cole, Coach, Brooks Brothers, Charles Jourdan and Buckle My Shoe.

Hong Kong

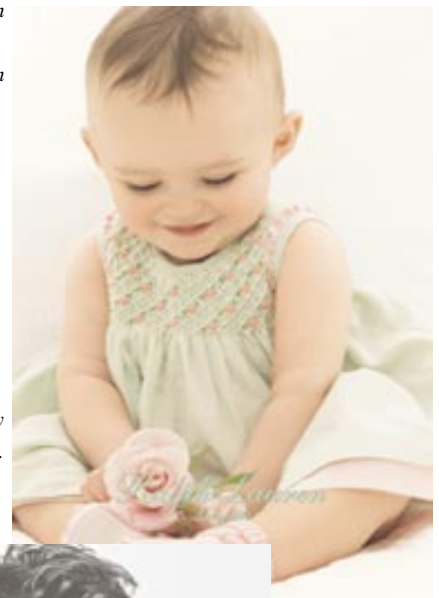
In Hong Kong, five new Brooks Brothers, Polo Jeans Company and Dickson Warehouse shops were opened, thereby increasing the Group's retail network to 59 shops and corners.

Both Hong Kong Seibu stores in Pacific Place and Windsor House benefitted from the major refurbishment carried out during the first half of the last financial year. At Pacific Place Seibu, an even stronger selection of young casual fashionwear, quality cosmetics and skincare products will be introduced. At Windsor House Seibu, additional product categories such as health foods and lingerie will be introduced to further enhance this store's one-stop lifestyle store concept for today's young and contemporary woman.

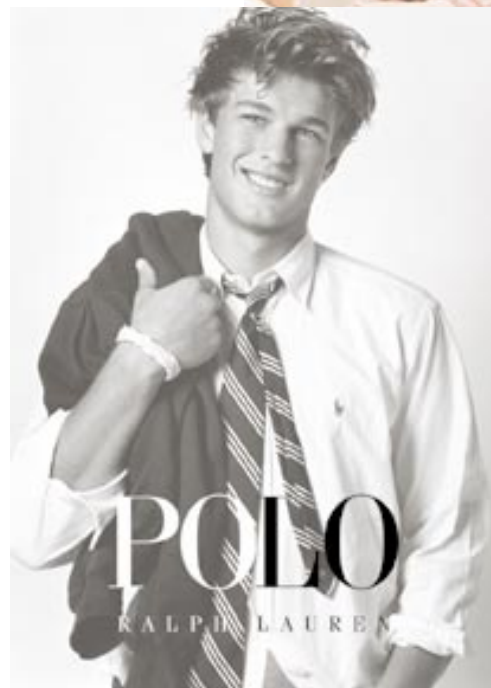
The 'outlet' concept at Dickson Cyber's physical mall at Kowloon Station has rapidly built up a reputation for offering a wide range of merchandise at tremendous value. Product categories available include fashion, sports goods, golfing equipment, electrical/electronic goods, furniture, luggage and household goods.



Ralph Lauren Collection for ladies.
「Ralph Lauren Collection」女士服裝。



Babieswear by Ralph Lauren.
「Ralph Lauren」嬰兒服裝。



Polo/Ralph Lauren menswear.
「Polo/Ralph Lauren」男士服裝。



Taiwan

The Group's retail network in Taiwan now totals 162 shops and corners. In Taipei, the Group is an anchor tenant at two new major shopping complexes, namely, Breeze Centre where the Group has four shops, and Core Pacific City where seven shops have been opened.

In December 2001, the Group announced its appointment by Benetton Group S.p.A. as their exclusive distributor and franchisee in Taiwan for the complete range of menswear and womenswear under the Benetton and Sisley labels as well as childrenswear under the O12 label.

The Group took over 75 shops, and together with the opening of additional Benetton and Sisley shops at Core Pacific City, Taipei, there are now 35 Benetton shops, 30 Sisley shops and 14 O12 shops located throughout Taiwan.

The Group has invested HK\$100 million in this new business opportunity which is being funded from internal resources and short-term bank loans.

It is expected that this new business with Benetton Group S.p.A. will generate sales in Taiwan exceeding NT\$500 million in the first full year, thereby significantly increasing the Group's total turnover as a whole.

The Group was appointed the exclusive distributor and franchisee for Benetton, Sisley and O12 in Taiwan.

本集團已獲委任為「Benetton」、「Sisley」及「O12」在台灣的獨家分銷及專營商。

The launch of a new teenage line for boys and girls in Spring/Summer 2002, together with the further development of the existing lines and the expansion of the retail activities of Benetton, Sisley and O12, will ensure that strong double digit sales growth is achieved by this new business from the second year onwards.

The Group has developed a truly comprehensive network for its leading brands throughout the whole of Taiwan. This will be further enhanced by the Group's plan to open an additional 13 shops during the current financial year.

China

In China, 17 Polo/Ralph Lauren, Brooks Brothers and S.T. Dupont shops and corners were opened during the year, reflecting the importance placed on this market by the Group.

In December 2001, the Group announced that Shenzhen Seibu Department Store Company Limited will open a second Seibu Department Store in Shenzhen, China.

Mens and ladies fashion by Brooks Brothers.
 「Brooks Brothers」
 男士及女士服裝。



Luxury lighters and writing instruments by S.T. Dupont.
 「都彭」名貴打火機及書寫文具。





Occupying over 140,000 sq. ft. on the Ground, First and Second Floors, the second Seibu Department Store will be located at Citic City Plaza, an upmarket commercial development in the prestigious new Futian district of Shenzhen which is where the Shenzhen City Government complex is also located. With a total floor area of 700,000 sq. ft. over 6 levels, Citic City Plaza will be linked to Shenzhen's subway system. Its catchment area offers a potential 800,000 consumers within a 5 kilometer radius.



Response to the proposed new store has been favourable, and it is expected that when opened, the second Seibu Department Store in Shenzhen will house flagship stores for many of the world's leading brands.

Currently scheduled to open in the last quarter of 2002, an investment of up to HK\$100 million will be made by Shenzhen Seibu Department Store Company Limited.

The second Seibu department store in Shenzhen will be located at Citic City Plaza, Futian district.

第二間深圳西武百貨公司將位於福田區的中信城市廣場。

Given the reputation and success of the existing Seibu Department Store in the Lowu district, the Group is confident that this second Seibu Department Store in Shenzhen will further consolidate Seibu's position as the undisputed leading retailer of luxury fashion and accessories in Shenzhen and Southern China.

Together with the planned opening of over 30 Polo/Ralph Lauren and S.T. Dupont shops during the current financial year, China is set to become an increasingly important contributor to the Group's future turnover and profits.

Other Asian Markets

In the rest of Asia, the Group's retail presence comprises 52 shops and corners in Singapore, Malaysia and the Philippines. During the current year, the first Brooks Brothers shop in Singapore was opened at Raffles City and a Ralph Lauren childrenswear shop will be opened at the Forum. Moreover, Polo Jeans Company will be introduced to the Malaysian market with the opening of a shop at Kuala Lumpur City Center, and a Ralph Lauren childrenswear corner will be opened in the Philippines at Rustan's department store, Manila. This retail expansion together with its established infrastructure will ensure that the Group maintains its strong market share in these countries and further benefits when their economies improve.



Casualwear by Polo Jeans Company. 「Polo Jeans Company」便服。



S.T. Dupont accessories. 「都彭」配飾。



Shoes and accessories by Kenneth Cole. 「Kenneth Cole」皮鞋及配飾。



Luxury timepieces and jewellery by Chopard.
「蕭邦」名貴手錶及珠寶首飾。

Board of Directors and Employees

During the year, Mr. Karl Friederich Scheufele resigned as an Independent Non-Executive Director of the Company on 1st October, 2001. On the same date, Mr. Ma Si Hang, Frederick was appointed as an Independent Non-Executive Director of the Company. However, due to his appointment as Secretary for Financial Services and the Treasury of the Hong Kong Special Administrative Region, Mr. Ma resigned from the Board on 24th June, 2002.

On behalf of my fellow Directors, I would like to take this opportunity to thank Mr. Scheufele and Mr. Ma for their valuable contributions to the Company.

I would also like to take this opportunity to thank all the other Directors of the Group and our employees for all their dedication, loyalty and hardwork during the year.

Future Prospects

While Asian economies continue to experience extremely difficult trading conditions, the Group intends to achieve longer-term success by continuing its expansion strategy while maintaining tight cost controls.

The Group opened 119 shops and corners during the year and at the year end owned a total of 330 shops and corners throughout Asia. This, coupled with the Group's expanded wholesale distribution network, will ensure that the Group has the most comprehensive retail and wholesale infrastructure throughout Asia.

The Group further plans to expand its retail network to nearly 380 shops and corners with the opening of at least 50 new shops and corners during the current financial year. This clearly illustrates the Group's commitment to the retail industry and its ability to develop and maximise the potential of its brands irrespective of the economic climate.

Together with its net cash position of over HK\$250 million and its strong balance sheet, the Group is perfectly positioned to take advantage of any investment opportunities of exceptional value and any improvement in trading conditions in the Group's markets in Asia.



Dickson Poon
Group Executive Chairman

Hong Kong, 11th July, 2002



*Leathergoods by
Coach.*
「Coach」皮具。



Fratelli Rossetti shoes.
「Fratelli Rossetti」皮鞋。