

BUSINESS REVIEW

Garment



Outside view of Sunlight (Panyu) Garments and Laundry Co., Ltd. in Panyu, PRC.



Quality Control Section in Guatemala's factory



Recession in USA and Japan as well as the 911 incident discouraged consumer spending confidence. Importers, wholesalers and larger retail outlet operators reduced their inventory as well as purchase order. Order prices also reduced significantly. USA economy recovered at the end of 2001 and the beginning of 2002 resulted in short term rebound in consumer spending confidence. However, USA stock market crash in the second quarter caused by corporate accounting issues brought uncertainty to economic performance of major import countries. Recovery of garment export in the coming year is not as optimistic as the beginning of this year.

As for the turnover of the Group's garment business, reduction was mainly due to the effect of the disposal of Maran Inc.. Excluding this effect and the effect of South African Rand devaluation, the Group's garment turnover for the year increased by 4%. This is a satisfactory performance under difficult market condition.



Computer embroidery machine in South Africa's factory.



Industrial washers and centrifugal separators in washing room located in Guatemala.

By area, South Africa becomes the largest market of the Group. Turnover in Rand increased by 17% from last year while operating profit reduced by 2% due to import material price increase as a result of Rand devaluation. In North America, promising performance in Canada resulted in satisfactory growth in turnover and profit for the area, excluding the effect of disposal of Maran Inc.. Japan and Europe turnover and profit reduced as a result of fierce price competition by other vendors.

As Rand stabilised since the beginning of 2002, South African business for the coming year will be similar to this year. Orders from major customers so far are promising in North America, which projects to good growth for the coming year. This will be enough to offset slow performance in Japan and Europe. Overall, management will work hard to ensure that garment division result is at least as good as this year.

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Restaurant



VIP room in Hainan Carrianna Restaurant.



Grand dining hall in newly opened Shanghai Carrianna Restaurant.

Restaurant operating results for the year was very encouraging. Turnover and operating profit increased by 11% and 33% respectively. Turnover and profits in China recorded satisfactory growth. Turnover in Hong Kong reduced due to weak customer spending while operating results improved from last year.

During the year, the group operated six "Carrianna" Restaurants in China, two in Shenzhen, one in Hainan, Shanghai, Kunming and Chengdu respectively. Satisfactory results was recorded in the newly opened Shanghai "Carrianna" restaurant and the relocated Hainan "Carrianna" restaurant. "Carrianna" restaurant in Regent Hotel, Shenzhen which was renovated in mid 2000, continued to contribute good results.