

# Chairman's Statement



Mr. NG Leung-Ho Chairman of the Company

On behalf of the Board, I am pleased to present the annual results of Good Fellow Group Limited (the “Company”) and its subsidiaries (the “Group”) for the financial year ended 30 June 2002.

## FINANCIAL RESULTS

The turnover of the Group for the year ended 30 June

2002 was approximately HK\$248,829,000 (2001: HK\$225,601,000), representing an increase of approximately 10%. Due to the successful control of its costs, the Group expanded its domestic market proactively, resulting in an increase of its gross profit from approximately HK\$82,898,000 to HK\$86,835,000 and the basic earnings per share were HK2.8 cents. (2001: HK2.2 cents).

## BUSINESS REVIEW

The Group’s core business is still focused on the design, manufacture and sale of a range of high-end men’s and women’s suits and uniforms. There was a continual increase in the number of orders received, as a result of the continual growth of economy of the PRC; the rising purchasing powers of its people; and the Group’s successful procurement of orders for uniforms from various governmental units during the year. The Board believes that the PRC market will continue to be an important market of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group had been maintaining sufficient liquidity all along. At 30 June 2002, the Group’s bank borrowings were approximately HK\$2,930,000. These loans were secured with certain of the Group’s leasehold land and buildings in Hong Kong; the Group’s bank deposits; and corporate guarantees given by the Company. At 30 June 2002, the cash, bank balances and pledged bank deposits were approximately HK\$131,551,000. The Group was not exposed to any substantial risk in foreign exchange fluctuations.

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At 30 June 2002, the Group's gearing ratio, which was calculated on the basis of total bank borrowings to total assets, was 0.7% (2001: 1.0%).

## PROSPECTS

The Group has established its leading position in the market for uniforms in the garment industry. The Group's business development will benefit from the prosperous

development of the PRC's economy; the accession of the PRC to the World Trade Organisation; and its successful bid to host the 2008 Olympic Games. The abovementioned factors have set to enhance the image of our sector and stimulate the demand for high-quality garments.

Applying Nano environmental application technology to produce men's and ladies' suits, the Group has produced a range of products to be launched in the Autumn and Winter of 2002. The products are preliminarily well received by the market. Nano technology can substitute the traditional ways to handle textiles and garments, enhance the quality of products, and reduce the cleansing costs correspondingly. In response to the continual rise of living standards, the Group combines its good tradition with new technology to expand the variety and scope of its products, and to launch products on an increasingly diversified basis. The Group considers a positive, innovative mindset and a desire for improvement to be an important source of beneficial competition.

The Group also invested in a high technology project, namely 北京九州網絡有限公司 ("Global Network Corporation"), a joint venture with Institute of Software, the Chinese Academy of Sciences. Global Network Corporation has established branches in the United States of America, Fuzhou, the PRC and has developed tens of software products with self-owned intellectual property rights. Of the software products, the one which has the potential for extensive applications is "Smartcompresz", which is a software designed for compression purpose. It has already been patented in the United States of America and the PRC, and a tie-up sale



Production Line

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By applying Nano-processing Technology, the products become water repellent and dirt resistant

arrangement has been entered into with renowned computer brands, such as “Legend”, “Founder” and “Great-Wall”, as well as websites, such as “China Net”. The software has been highlighted by the Government and the Chinese Academy of Sciences and has been extensively covered by the media in the PRC.

Currently, the Group is seeking the support from the “Zhongguancun Development Fund For Science and Technology” and “Development Funds for Electronic Information Industry, Ministry of Information Industry”. With its extensive applications, the compression software can bring enormous economic benefits to the Group indirectly.

Another high technology investment of the Group is Zhongke Nano Engineering Center Co., Ltd. (“Zhongke Nano”), a joint venture with 中國科學院化學研究所 (“Institute of Chemistry, the Chinese Academy of Sciences”). Zhongke Nano principally serves to industrialise the research results of the Institute of Chemistry in various areas of Nano technology. Its phase I development projects include “Normal Temperature Solidifying Self-cleaning Coating Nano”, “Super-hydrophilic Coating Materials of the Second Air-condition System”, “Nano Technique for Environmental Friendly Dying Process of Textile”, “Nano functional fibres” and “Nano Engineering Plastics”. The patents of the abovementioned products and some of the patents under application will be injected into Zhongke Nano. The application of Nano technology to industrialisation is not limited to basic research. The transformation of the results from basic research to application is direct, and the research-to-application cycle is becoming increasingly shorter. In fact, the development of Nano technology is much faster than the market expectation. Currently, Nano technology has tremendous development potential not only in textiles and construction industry, but also in the fields of medicines, communications, computer, information processing, equipment and astronavigation. The Group believes that the edges of Zhongke Nano in scientific research not only enables the Company to acquire a large market share in fields of textiles,

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construction and engineering plastics, but also brings about favourable economic benefits and provides a considerable potential for future development.

In addition to consolidating its business of men's and ladies' suits and uniforms, the Group will invest in related projects,

capitalise on its industry

preponderance and cooperate with institutions with solid background, to diversify the Group's business and build up stable sources of income by exploring into various commercial fields.

## ACKNOWLEDGEMENT

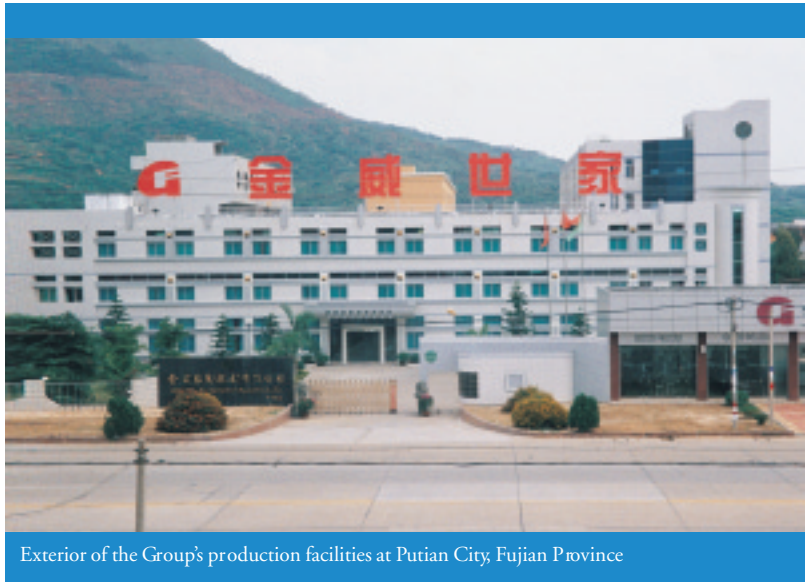
On behalf of the Board of Directors, I would like to extend my appreciation to our management team and employees for their efforts during the past year. I would also like to thank our business associates and shareholders for their confidence and continued support during the past year.

**Ng Leung Ho**

*Chairman*

Hong Kong

25 October 2002



Exterior of the Group's production facilities at Putian City, Fujian Province