

CHAIRMAN'S STATEMENT



GROUP RESULTS

In the nine month period of the financial year ended 31 December 2002, the global economic outlook fluctuated. At the beginning of the year, the market was quite optimistic about economic recovery. However in the wake of the accounting scandals, disappointing corporate earnings and weak dollars as well as the uncertainties related to the Iraqi war, capital investments faltered and the global equity markets slipped. The retail sentiment in US then turned sluggish. Even in this unfavorable environment, the Group's results, when annualized, still had an increase of 11.79% when compared with the previous year. It was attributed to the Management's adherence to the strategy of prudent financial management, balanced development and alertness to market changes.

North America was our main export market. During the period, although we experienced the pricing pressure and were caught by the port strike in the West Coast, our total export volume still increased when compared on a month-to-month basis with the previous year. The retail operations in Australia turned around and became profitable. In Mainland China, the economic activities were still very buoyant. Although the market was very competitive, the Group's retail business still managed to have a double-digit growth in both turnover and same store sales. Both our market share and profits increased. Jeanswest had established its position as one of the most favourable brands in casual wears there.

In the period under review, our balance sheet was sound and solid. Inventory level was further improved. Sufficient asset provision had been made. As at 31 December 2002 the net cash in hand amounted to HK\$659,029,000 (31 March 2002: HK\$555,236,000). The Management took the view that the Group had made all necessary preparations to meet with challenges arising from any possible adversity. In the nine month period of this financial year, the Group made a profit attributable to shareholders of HK\$128,080,000 (year ended 31 March 2002: HK\$152,765,000) on a turnover of HK\$2,436,567,000 (year ended 31 March 2002: HK\$2,924,850,000).

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of 7.50 HK cents (year ended 31 March 2002: 7.50 HK cents) per share for the nine months ended 31 December 2002 at the forthcoming Annual General Meeting to be held on Thursday, 5 June 2003. The final dividend amounting to HK\$75,044,000, if approved by the shareholders, is expected to be paid on or around Thursday, 12 June 2003 to those shareholders whose names appear on the Register of Members on Thursday, 5 June 2003.

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REVIEW OF OPERATIONS

Retailing

In the period under review, our retail operations performed well. The Australian operation, which suffered losses last year had turned around and became profitable notwithstanding the reduction in the number of shops resulted from the disposal of the New Zealand Network. In Mainland China the growth in the number of self-managed shops was stable. The desirable growth rate in same store sales contributed to the continuing growth in overall performance. Double-digit growth in turnover was achieved when compared on a month-to-month basis with last year. Inventory turnover days improved from the previous 61 days to 59 days. The total number of shops in our network as at 31 December 2002 was 806 (31 March 2002: 724 shops) including 158 franchised shops (31 March 2002: 57 shops). In the nine month period ended 31 December 2002, total retail turnover amounted to HK\$1,252,698,000 (year ended 31 March 2002: HK\$1,532,257,000) representing 51.41% of the Group total turnover. That was in line with the Group's retail orientated development strategy.

1. *In Mainland China*

In the period, consumer spending in the Mainland was resilient but competition was keen. Our retail turnover and same store sales grew in double-digit when compared on a month-to-month basis with last year. Such outstanding performance was attributed to various factors like appropriate market position, right product design, convenient shop locations, more attractive product mix, improved storefront services and efficient stock replenishment system. In the nine month period under review total retail turnover of HK\$840,610,000 (year ended 31 March 2002: HK\$1,016,435,000) was registered.

By the end of 2002, the retail network in the Mainland comprised 633 shops (31 March 2002: 527 shops) including 152 franchised shops (31 March 2002: 51 shops).

2. *In Australia*

During the period, the Management focused on exploring more competitive sources of supplies and worked relentlessly in improving product design, storefront services and product mix for each and every shop. Subsequent to the operation realignment, operating margin rebounded back to a healthy level and same store sales showed positive growth. Australian operation thus turned around and was able to make profit contribution to the Group again.

During the period, due to the disposal of the network in New Zealand, the number of shops was reduced to 173 (31 March 2002: 197 shops) including 6 franchised shops (31 March 2002: 6 shops). In the nine month period total sales amounted to HK\$412,088,000 (year ended 31 March 2002: HK\$515,822,000).





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Export

The manufacturing operations continued to support the retail and export business. North America was our main market. In the period under review, the retail market in US was fairly soft. On top of that we had to weather through the difficulties of port strike along the West Coast and US embargo on Bangladesh's textile export. Pricing pressure arising from the ebbing demand unveiled another round of squeeze in margin and encroached on our gross profit. In order to mitigate the adverse impact, the Management and staff endeavoured in streamlining the work process and improving efficiency along the production chain so as to reduce production cost and increase flexibility.

In anticipation of the disbandment of export quota in 2005 resulting in even keener competition, the Management made financial provisions and strove for cost reduction and efficiency enhancement as part of the preparations to meet with the potential challenges.

In the nine month period under review, the total export turnover of HK\$981,686,000 (year ended 31 March 2002: HK\$1,196,541,000) was recorded representing 40.29% of the total turnover of the Group.

Other Businesses

Among other businesses, trading of fabric was the main operation. In the nine month period under review, a turnover of HK\$202,183,000 (year ended 31 March 2002: HK\$196,052,000) was registered.

FINANCIAL POSITION

The Group's financial position became healthier. As stated before, the levels of net cash in hand and inventory in the period under review were towards better status.

During the period under review, the Group entered into foreign currency forward contracts to hedge the currency risk in Australian dollars. The Group's contingent liabilities mainly comprised of export bills discounted with recourse. As at 31 December 2002, the said contingent liabilities amounted to HK\$35,479,000 (31 March 2002: HK\$4,769,000).

HUMAN RESOURCES

As at 31 December 2002, the Group's total number of employees was about 26,000. The Group offered a competitive remuneration package to its employees. In addition, bonus and share options were granted to employees based on the Group's performance and individual performance.

SOCIAL RESPONSIBILITY

At Glorious Sun, we believe that business profitability and social responsibility are compatible. In addition to the fair and reasonable compensation and benefits, we provide members of our staff with chances to learn and grow. We also take responsibility for the reputation of the Group.

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In all of our production bases, factory managers have to strictly comply with the Management's guidelines and regulations on working conditions, wages, working hours, discrimination, child labour and environmental requirements. With charitable foundation set up by the Management and the volunteer services from our staff, we provide medical and health care, nourishment food and shelter, scholarships, educational facilities and other services to the needy ones and in particular to children and youths. At Glorious Sun, our staff are encouraged to live up to the traditional ethical values which are applicable to our business as well as our being. Only by upholding these basic values, the Group and our staff are able to grow healthily and eternally.

PROSPECTS

Looking forward to the ensuing year, the Management takes an optimistic but cautious attitude. The economic prospects post Iraqi war are full of uncertainties. Although we anticipate that our export business will still under great pricing pressure, we expect our retail operations to have a stronger growth. The Australian retail operations will continue to be profitable. The Mainland China macroeconomic development will still be heading upwards and the retail market will remain resilient. The Management will be more aggressive in expanding retail operations there. We will try our very best to further elevate the image of Jeanswest so as to expand our market share and to maintain our competitive advantages.

In the period, the Group has entered into a joint venture with the Quiksilver Group to enter into the PRC market. Quiksilver is one of the most successful international brands for young people casual lifestyle apparel. Quiksilver is the market leader in surfing and board-riding sports wears. This joint venture represents the combination of the Group's more than 20 years successfully operating experience in the PRC and the outstanding ability of Quiksilver in developing products with unique characteristics and brand building to get a share in the ever-expanding youth apparel market in the PRC. The joint venture's initial plan is to open 5 to 10 shops in Shanghai by late 2003 or early 2004 so as to secure a foothold in the market to build up a nation-wide distribution network.

In the absence of major unforeseeable adverse changes, the Management has confidence to have better Group results in 2003.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

Charles Yeung, J.P.
Chairman

Hong Kong, 17 April 2003