

The year 2002 is a year of rapid development for the Group. In spite of global economic downturn, outbreak of war between the United States and Iraq, rampant spread of SARS in Hong Kong and Mainland China between March and April, a continuous rise in local unemployment rate and an increasingly difficult business environment for the retail industry, the Group's business continued to achieve growth by diversifying its products and tapping business opportunities in overseas markets. In the year under review, the Group achieved a turnover of HK\$579,652,000, representing an increase of 26.3% over HK\$ 459,059,000 for the corresponding period in the previous year. Net profit attributable to shareholders amounted to HK\$23,827,000, and earnings per share were HK 2.22 cents.

During the period under review, the Group adopted a prudent development strategy for its apparel operations in the PRC and Hong Kong. The Group strengthened its retail network while endeavoring to increase the source of revenue and to lower operating costs. Since China's accession into the WTO, the major cities in the PRC had become the target of both foreign and local brands. The rental rates and wages in such cities therefore rose continuously, resulting in an increase in operating costs. This together with the price cut initiated by domestic brands had caused the Group to gradually shift its business away from the major cities and set up sales network in second and third-tier cities.

Innovative Technology and Value-Added Products

The Group introduced the Swedish Texcote Technology in 2001. In addition to the Group's casual wear, the technology was also applied to apparel of other brands for manufacturing of quality, price competitive and multi-functional products. In the period under review, the Swedish Texcote Technology business recorded a turnover of HK\$15,603,000. The Group's Swedish Texcote Technology processing facilities in Shenzhen commenced trial production in February 2003 and had begun to process products for other brands and apparel manufacturers. Initial orders had been extremely satisfactory. In view of the keen demand for Swedish Texcote Technology, the Group is now establishing a new Texcote processing plant with an area of approximately 170,000 square feet in Shunde, Guangdong Province. It is anticipated that the plant will be completed and commence operation in mid 2004. By that time, the Group's Swedish Texcote processing capacity and product range will be enhanced substantially.

Since the introduction of Swedish Texcote Technology, the Group began to implement product diversification and develop high value-added products. The NANOECO collection incorporating Swedish Texcote Technology received the 2002 Hong Kong Awards for Industry - Certificate of Merit in Consumer Product Design as presented by the Federation of Hong Kong Industries, proving that the innovative NANOECO collection had gained market recognition and acceptance.

During the SARS period, the local retail industry was adversely affected. In March, the Group responded to market demand promptly by applying Texcote Technology's water repellent and bacteria resistant characteristics to launch a series of nano medical products such as nano face masks and nano surgical gowns. The products were well-received by the market and formed a new line of products for the Group.

Expanding Overseas for New Opportunities

During the period under review, the sales of the Group's export business amounted to HK\$28,296,000, accounting for 4.9% of its total turnover and representing a tremendous increase of 7.8 times over that of the previous year. In addition to having successfully expanded into the Middle East market, the Group intends to open up markets in Japan, Europe and North America. In this connection, the Group entered into distribution agreements for the Japanese and Spanish markets in July this year. In the future, the Group will make sustained effort to broaden its customer base and draw up strategic plans for establishing business overseas with an aim to diversify market risks. With the increasing recognition of Swedish Texcote Technology processed products in the overseas markets, the overseas operations will become more important in the future.

Finally, I would like to take this opportunity to express my sincere thanks and gratitude to our staff and members of our management team for their hard work and dedication as well as our business partners, clients, suppliers and shareholders for their support and trust over the past year.



Leung Ngok
Chairman
Hong Kong, 30 July 2003



Diversification of Product Range
Reaching Out for a Global Presence



U-R NANOECO
CLOTHING