

### Business Review

For the year ended 31 March 2003, total turnover of the Group amounted to HK\$579,652,000, representing an increase of 26.3% over the corresponding period in the previous year. Mainland China and Hong Kong were the two major markets with sales revenue accounting for 77.8% and 17.3% of the Group's turnover respectively. As at 31 March 2003, the Group had 28 self-operated shops in Hong Kong and 288 distribution points in the PRC. With the rapid development of its overseas operations, the Group's export business achieved remarkable growth with export sales accounting for 4.9% of its total turnover. As for the Swedish Textcote Technology business, the Group recorded a turnover of HK\$15,603,000 in its first year of operation, representing a significant growth of 3.8 times as compared to the turnover of HK\$3,251,000 in the first half of the year.

During the year under review, the Swedish Textcote Technology business was still in an initial stage of investment. The newly added Swedish Textcote Technology processing facilities had commenced commercial operation only after April 2003. Therefore, its turnover for the year did not fully reflect the actual development of the business. However, the Group had endeavored to promote the technology and extend the scope of its application. To this end, the Group had incurred additional extraordinary expenses of approximately HK\$20,000,000 during the year on promotional and pre-development activities. Besides participating in trade fairs in various cities, the Group also held product briefings, fashion shows, road shows and promoted Swedish Textcote Technology and the newly launched NANOECO collection through multi media. In this connection, the Group established proper operating, production and technology management systems for the new business. Initial response was satisfactory and market image on its nano products was enhanced. Excluding these extraordinary expenses, the Group's operating profit would have been increased as compared to that of the previous year. The Group's overall administration expenses increased by 15.8% over the corresponding period in the previous year, the increase of which was mainly caused by the new Swedish Textcote Technology business and its start-up costs. For the year ended 31 March 2003, the Group's profit attributable to shareholders was HK\$23,827,000.

Since the application of Swedish Textcote Technology on the u-right branded apparel, the Group launched the NANOECO collection and had received favourable market response. The NANOECO collection received the 2002 Hong Kong Awards for Industry - Certificate of Merit in Consumer Product Design as presented by the Federation of Hong Kong Industries. In view of the positive market response, the Group promptly expanded the design and variety of the NANOECO collection and stepped up its marketing efforts to raise the consumer awareness of such products. A favourable environment was thus created for future development of the Swedish Textcote Technology business.

### Retail and Distribution of Apparel

#### PRC

After China's accession into the World Trade Organization, many foreign retail brands have been attracted to launch retail business in major cities in Mainland China. As more and more brands are present in the PRC market, competition has become more intense. Operating costs such as rent and wages rise. As a result the Group's gross profit margin in the latter half of the year decreased due to the downward pressure on retail price. Since the second and third-tier cities in Mainland China are becoming wealthier and have good potential for development, the Group has therefore revised its business strategies to expand the distribution business to second and third-tier cities and actively liaise with local distributors to develop a franchise network. The number of distribution points increased from 230 in the previous year to 288 spreading over 100 cities. During the year under review, sales in the PRC amounted to HK\$451,027,000, representing an increase of 34.3% over that of the previous year.

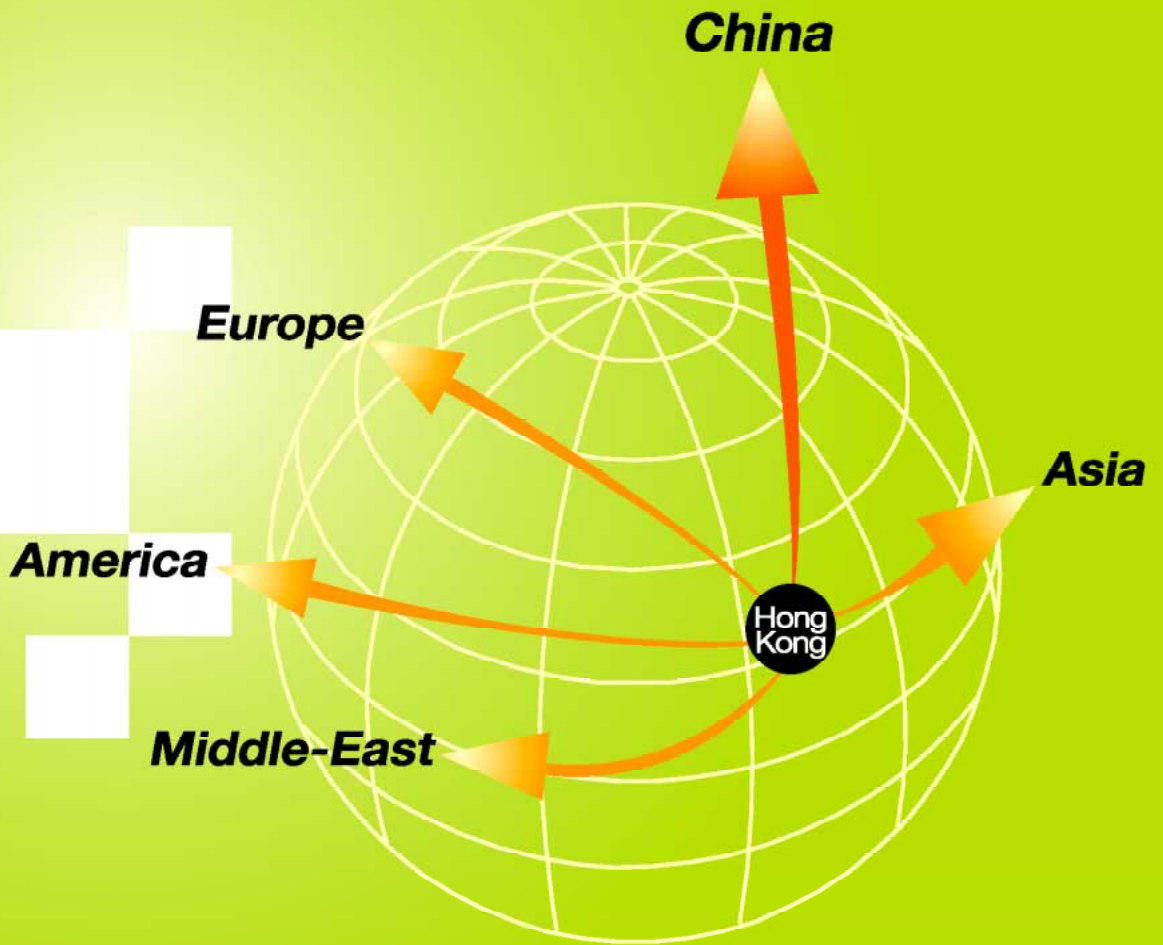
#### Hong Kong

The economy of Hong Kong continued to undergo structural changes, and was adversely affected by factors such as soaring budget deficit, high unemployment, continuous deflationary pressure and the rapid spread of SARS during March and April. Business activities in Hong Kong suffered severely and the retail industry faced with an even more difficult environment. Under such circumstances, almost every garment brand tried to take the lead in cutting prices, resulting in greater competition. Coupled with the impact of SARS near the year end, the Group's sales and gross profit margin in the latter half of the year decreased as a result. During the period, the Group recorded sales of HK\$100,329,000 in Hong Kong, representing a fall of 16.3% from that of the previous year.

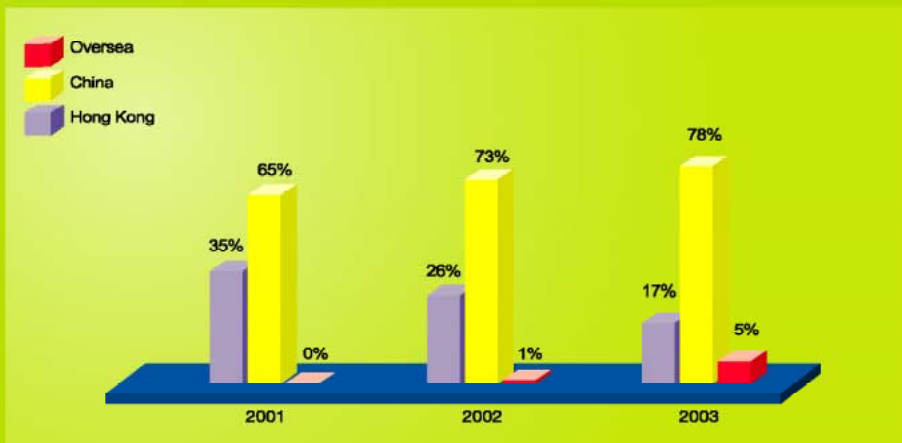
#### Overseas

The war in Iraq created political turmoil in the Middle East while the economy of the leading nations remained weak. However, with the Group's solid foundation and proven sale strategies, diversification of product range and the well-received NANOECO collection processed by Swedish Textcote Technology, the Group achieved overseas export sales of HK\$28,296,000, representing an increase of 7.8 times over that of the previous year.





Turnover Breakdown (By Geographical Segments)



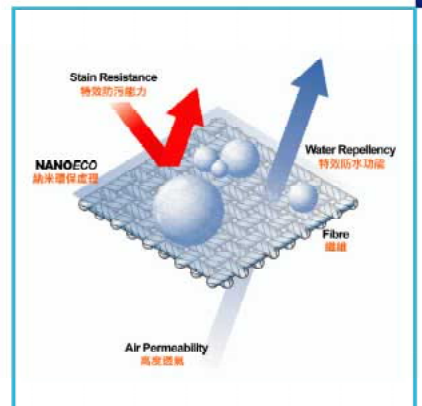
### Swedish Texcote Technology

Swedish Texcote Technology is a material processing technology based on the principles of nanotechnology. When certain material is processed under the nano dimension, its physical characteristics will change. As Swedish Texcote Technology is applied in clothing, the surrounding of the clothing fiber will have an invisible protective layer which can enhance the stain resistant and water repellent properties while remaining breathable and colorfast. It is also environmental friendly as it reduces the frequency of washing.

For the year under review, the Group actively developed the application of Swedish Texcote Technology, improved existing products and developed new value-added and multi-functional products. The Group's launching of the "NANOECO" collection had gained market recognition amidst the intense competition in the textile and apparel industry. The Swedish Texcote Technology business, being a new investment of the Group, recorded a turnover of HK\$15,603,000 in the year, accounting for 2.7% of total turnover and as such performance was satisfactory. Due to the rapid development of this business, the turnover growth of the year was 3.8 times compared to that of the first half of the year and the business prospect is promising. The SARS crisis in early this year had raised public concern to hygiene. The Group took the lead to apply Swedish Texcote Technology on medical products and launched the nano medical products as a new business.

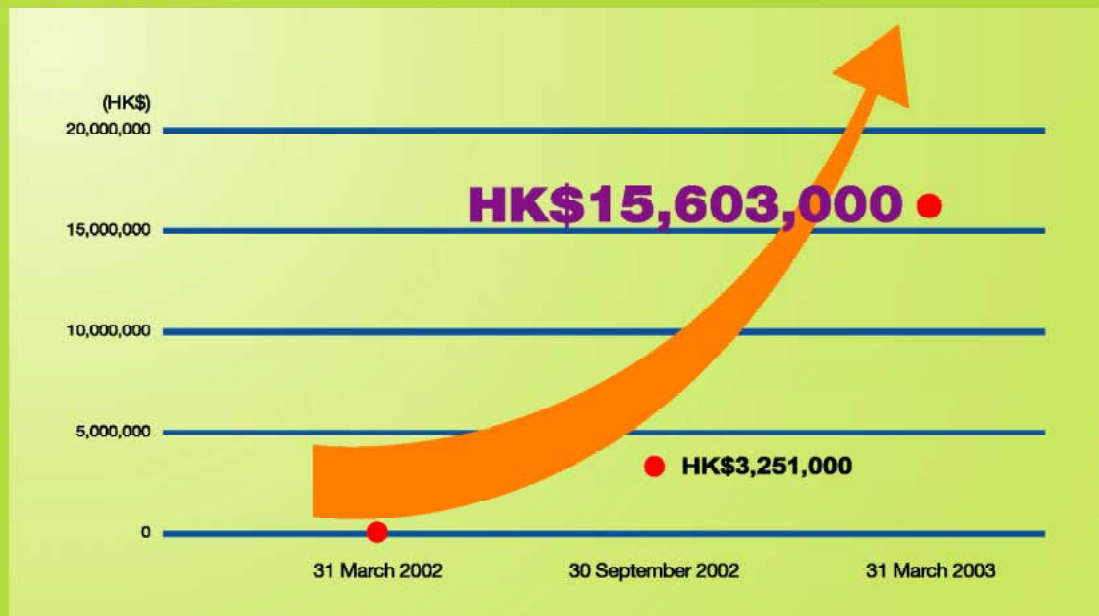
The Group entered into a technology consultancy agreement with the University of Science and Technology of China ("USTC") in July 2002, whereby USTC was appointed as the Group's technology consultant to carry out research, development and application on nanotechnology, and improve and enlarge the scope of application of Swedish Texcote Technology jointly with the Group's Swedish scientists and technology research team in this regard.

The Group's Texcote processing facilities in Shenzhen commenced operation after April this year with a monthly processing capacity of 200,000 units. As processing orders and customer demand are on the rise, the Group is establishing a new processing plant with an area of 170,000 sq. ft. in Shunde, Guangdong. The new plant can house more than 10 sets of Texcote processing facilities, thus significantly raising the production capacity of nano products. Phase one of the new plant, which is expected to be completed and put into operation by mid 2004, will be installed with 5 sets of Texcote processing facilities which can process fabrics material, knitted sweaters, T-shirt, neckties, hats and textile household products.





Turnover  
Swedish Texcote Technology  
Processing Activities  
(Cumulative Basis)



## Promotion and Development

In order to raise the awareness of the Swedish Texcote Technology and enhance the image of the "u-right" brand, the Group adopted a wide range of promotion and development strategies to promote the Swedish Texcote Technology and the NANOECO collection in major cities around the world. During the year under review, the Group increased promotional and pre-development expenses amounting to approximately HK\$20,000,000 for the year. Besides participating in trade fairs in Hong Kong, Beijing, Shanghai, Dalian, Chengdu, Wuhan, Guangzhou, Tokyo and Osaka, the Group also held a number of product promotional events, seminars and fashion shows. The Group also increased advertising expenditures on TV, magazines, newspapers and buses to promote the Group's brandname products as well as the Swedish Texcote Technology. As the Swedish Texcote business was at its start-up stage, the Group actively set up proper operating, production and technology management systems in order to establish a good foundation for future development of the business.

