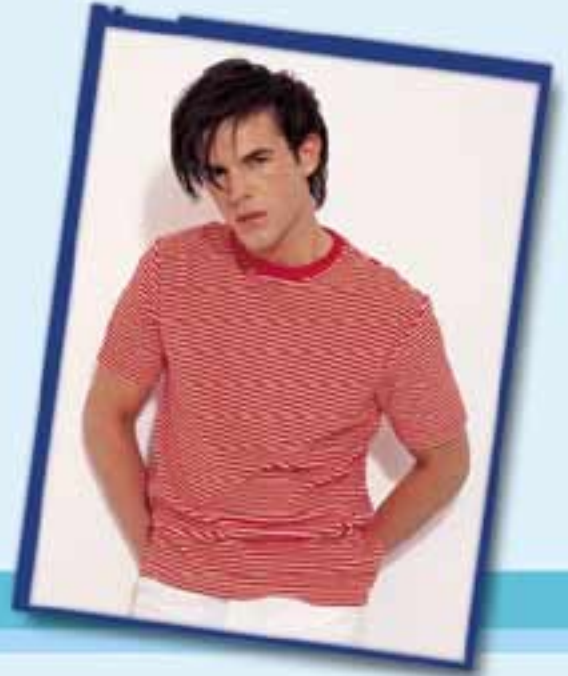


Chairman's Statement



The year 2001/02 was undoubtedly another difficult period for the Group, especially as the adverse economic climate persisted in most Asian countries where the Group has business operations. In the year, the Group managed to maintain turnover at virtually last year's level. However, a net loss attributable to shareholders of HK\$38,769,000 was recorded. Encouraging is that the results in the second half of the year started to improve, particularly when the impairment in value of the Group's properties of HK\$13,408,000 is taken into account.

Despite short term difficulties, the Group remains fully confident of future business and will continue its long term goal to make bossini the brand of choice and the leading name for high quality and fashionable casual wear. To this end, effective measures are being carried out to attract customers into bossini outlets and to encourage them to buy bossini products.

The Group's efforts are not restricted to Hong Kong. During the year, the Group took major strides towards achieving a more effective geographical diversification of its business. The favourable effects of this diversification have started to click in and have already being seen in better returns from the China market in the second half of the year.

Throughout the year, the Group carefully monitored the ongoing situation in each market and invested its resources to achieve the best results. This included positive and targeted advertising and marketing strategies to adjust the Group's advertising position. The Group decreased above-the-line promotions and simultaneously increased the number of below-the-line programs such as joint promotions with other merchants and acquiring the exclusive license of Movie Tees for a number of blockbuster films.

Apart from continuing to reinforce the bossini brand as the casual wear brand of choice, the Group has also allocated considerable resources to improve the image of its products in the market. Fully aware that product design and quality are vital ingredients in the retail trade, the Group took effective measures to ensure the bossini brand delivers what it promises – fresh, upbeat, modern and easy-to-wear fashions. In particular, the following measures were taken:

- (a) appointed an executive director to restructure and head the product design team and to stimulate the generation of trendy styles for fashionable casual wear;
- (b) devised a more effective methodology to filter overseas trends into realistic commercial propositions suitable for the easy-to-wear styles most favoured in Asia; and
- (c) to mark the beginning of the Group's brand reinforcement measures, new, upbeat styles and designs were created for the spring/summer 2002 collection.



At shops, the Group is determined to implement measures designed to attract customers and to persuade them to purchase bossini products. These measures included making more frequent deliveries of new products to maintain customer's interest and draw them into the shops. The Group also undertook renovation of outlets in order to maintain a bright, contemporary and cheerful ambience. This included improved shop window and product displays designed to convey a strong personal message and deliver a friendly environment to customers.

The Group has also conscientiously looked at ways and means to keep costs as low as possible. For instance, back-office operations were set up in Shenzhen to support certain Hong Kong headquarters' back-office functions of accounting, computer programming, purchasing, and quality control. The Group increased its sourcing channels in order to lower costs without compromising quality. Additionally, the Group aggressively applied information technology to improve efficiency and knowledge management.

Adopting highly efficient management techniques and providing comprehensive training to employees remained top priorities. The Group has also increased investment in human resources and implemented measures designed to achieve and maintain high standards of work quality. This initiative is an ongoing and long lasting commitment of the Group.

In summary, the Group is monitoring the present economic situation very closely and will counteract any unexpected deterioration. The Group also remains alert to new opportunities and is poised to take advantage of improved consumer confidence once the economy picks up. Diversification of products and markets, new and innovative marketing techniques, and fresh, modern designs will keep the bossini brand where it belongs - at the forefront of the popular, easy-to-wear market.

On behalf of the Board of Directors, I extend my sincere thanks to our shareholders, customers, suppliers, and employees. Our brand, bossini, is a flagship of endeavour, sailing proudly on the ocean of commerce and charting new courses for success in the years to come.

Ka Sing LAW
Chairman

Hong Kong
27 June 2002

