

CHAIRMAN'S STATEMENT

GROUP RESULTS

The Group recorded a profit attributable to shareholders of HK\$7,414,000 for the year under review, representing an 55.6% decrease compared with the previous year. The Group's turnover amounted to HK\$133,657,000 which was 44.3% lower than previous year's figure.

Basic earnings per share for the financial year are HK0.60 cents. The directors do not recommend the payment of a dividend for the current year.

BUSINESS REVIEW AND PROSPECTS

The year under review was another difficult year for the Group the performance of which fell short of expectations. Turnover and profit after taxation decreased by 44.3% and 55.6% respectively when compared with the previous year.

The Group has commenced commercial production of fine gauge knitwear under its own brand "IXESSE" in Guangzhou in the second half year. In common with other newly set up production facilities, gross margin was affected by the high, but one-off, set up cost and yet to achieve optimal level of operating efficiency. The Directors are optimistic that after the set up period is over, the Group will achieve a much higher level of operating efficiency in the next financial year.

The Group has substantially reduced its proprietary trading in securities in the second half year due to unfavourable market conditions. This activity incurred a loss of HK\$182,000 in the second half year compared with a loss of HK\$590,000 in the first half year.

The Group has ceased its securities broking business in late May 2002 due to poor market sentiment as evidenced by a decline in the total market turnover of the first five months by approximately 17% compared with the corresponding previous period and the lack of any clear sign of recovery in the near future. The Group has, subject to the approval of the Board of The Stock Exchange of Hong Kong Limited, sold its trading right in the Stock Exchange after the balance sheet date at a consideration of approximately HK\$1.5 million.

The development of Chinese health and herbal products including the preparatory work for the production of the said products in Hong Kong was in progress. The Group will make room for the introduction of the necessary Good Manufacturing Practices in its manufacturing facilities of Chinese health and herbal products in Hong Kong should this become mandatory.

CHAIRMAN'S STATEMENT

The Group has strengthened its management team with the recruitment of a number of seasoned staff in the area of marketing, product development and sales in preparation of a substantial expansion of the number of sales outlets in China. With a well-defined business plan, the support of an experienced team of management staff and a strong financial position, the Directors are optimistic of the future of the Group.

LAU TUNG HOI

Chairman

Hong Kong, 9th September, 2002