Chairman's Statement

2002 was another tough year for the Group. In the aftermath of the September 11 attacks, political instability and rising oil price, the world economy has worsened and the rebound in the United States economy has slowed down. As a result, with dampened consumer sentiment and low investor confidence, importers and buyers are demanding more price concessions and value-added features than ever before. These unfavorable conditions have had a considerable adverse impact on the performance of the Group.

By 2005, the phasing out of quotas will deal a blow to the industry with a flood of clothing imports to the United States from all member countries in the World Trade Organization around the world. Global competition will intensify and pressure on order prices and lead-times will be heightened. Countries with preferential trade deals with the United States will certainly be in a more favorable position.

Preparing for the end of the quota age, the Group has strategically diversified its production bases to countries enjoying trade preferential status such as El Salvador and Lesotho. On top of the trade preferential treatment granted to Caribbean countries which include El Salvador under the Trade and Development Act of 2000, the Bush administration recently proposed the expansion of free trade throughout the Western Hemisphere with the removal of all tariffs on apparel from the Caribbean. The trade benefits granted to sub-Saharan African countries, including Lesotho, by the United States under the African Growth and Opportunity Act have also been enhanced. These changes witness the Group's success in enhancing its strengths by optimizing advantages to be gained from globalization. The Group will closely monitor changes in these international trade agreements and continue to seek investment opportunities to sustain future growth.

The management team has been gearing up to cope with the tough times ahead. One strategy is to boost profit margins by offering additional value-added services to customers. The Group will also focus on ensuring the optimum allocation of resources and on maintaining tight cost controls. Action will also be taken to consolidate and restructure existing production bases to boost their production efficiencies and benefit from economies of scale on the one hand. One the other, the Group will expand production bases in low-cost countries which offer an efficient labor force and favorable trade terms. To enhance its competitive edge, the Group will also align itself with strategic partners to take advantage of the synergies generated.

Garment manufacturing is a labor-intensive business. As such, employees and staff are important assets of the Group. The Group's emphasis on the quality of its human resources will persist.

2002 was a particularly difficult and testing year for all levels of staff for the Group. I would like to take this opportunity to thank my fellow directors and all the Group's staff for their dedication and commitment during the year. Given the hard work and loyalty of our workforce, the Group is optimistic that better performance will be achieved in the years ahead.

Rusli Hendrawan
Chairman
20th March, 2003