



FOR LEASE
1,200 sq. ft. \$18K.
Lyttelton Road, Mt. Roskill.
Direct Owner - No Commission.
9493 0000

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Chairman's Statement

Dear Shareholders,

My report covers the fifteen months period from 1 October 2001 to 31 December 2002.

We have deepened the re-engineering of our entire operation and strengthened our core management. We have sharpened our focus on the design and merchandise elements of our business to vigorously pursue our customers. Special attention was paid to improve our customer service and the logistics of our franchise operation. We have undertaken a strategic initiative to develop and energize a marketing team to expand the growth of our franchise shop network in the PRC.

Over the past few years, the PRC enjoyed continuous economic growth. Rapid economic growth in the private sector has increased consumer demand for branded labels, thus offering huge opportunities for our franchise business. We have heightened our emphasis on the expansion of franchise business in the PRC, as this is a more effective form of business requiring less capital expending with less risk. Our wide sales and marketing network has laid a solid foundation for the future of Theme. Our progress in this area is satisfactory.

Contrary to the PRC, retail environment in Hong Kong is difficult. Shop rental remained high. We have decisively closed non-performing shops upon the expiry of their rental agreements. We have downsized our shops to six to shield us against economic shocks in Hong Kong.

In spite of the weak retail market in Taiwan, we recorded moderate growth of business in the region.

We have simplified our organization and taken actions to eliminate losses. We begin to see encouraging signs from our investment in expanding our franchise business. We expect a breakthrough to follow.

The magnitude of the adverse impact on our markets brought by the Iraqi war and the SARS disease is hard to predict. In those regions experiencing greater impacts from SARS disease, for example, Hong Kong and Singapore, the Group will follow the market closely and take decisive actions wherever necessary.

On behalf of the board, I would like to express my appreciation to our management and staff for their dedications and hard work. I also wish to thank our shareholders, bankers, business partners and vendors for their support.

Lam Foo Wah
Chairman

Hong Kong, 14 April 2003

