



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the 2003 annual report of Peking Apparel International Group Limited and its subsidiaries (together the "Group").

Results

Turnover for the year ended 31 March 2003 amounted to approximately HK\$90,078,000, representing an increase of approximately 19 per cent as compared to that of last year. Net loss attributable to shareholders amounted to approximately HK\$2,379,000, as compared to a net profit of HK\$83,000 reported last year. With the success in sustaining its gross profit margin and with stringent efforts on cost control, the Group was able to improve its loss before tax position from a loss of HK\$4,603,000 in FY2002 to HK\$2,275,000 in FY2003.

Achievements

Financial Year 2003 witnessed the most difficult wholesale business environment in the history of Hong Kong. Amidst global economic doldrums, the September 11th event and the anxieties that had arisen from the SARS triggered off financial turmoil in the global market. Life was not made any easier by the serious government budget deficit and run-away unemployment rate. Yet far from being hampered by these factors, we have effectively implemented tight financial controls over operating costs.

Future outlook

With the signing of the CEPA (closer economic partnership arrangement) with China, better market access for Hong Kong's products and services into the Mainland China would be expected. We believe the increased trading opportunities would most certainly be beneficial to the Group.

Our Group will always be alert to take advantage of opportunities that will spring from the impending slowdown. While it cannot be said with certainty that current performance would be maintained or perhaps improved upon in the coming financial year, the Group anticipates that its operations will still remain thriving.

Looking ahead, the Group shall continue to capture the market with its products which excel in terms of both fashion and quality, and combine function with comfort. We shall actively seek out strategic partners and with aggressive marketing campaign, we can broaden the Mainland China and Hong Kong markets and further expand into the markets of United States of America, Europe and Japan and achieve remarkable returns to shareholders.

Dividends

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2003.

Acknowledgement

I would like to take this opportunity to express my thanks and gratitude to our staff and members of our management team for their hard work and dedication as well as our business partners, clients, suppliers and shareholders for their support and trust over last year.

Char On Man
Chairman

Hong Kong
22 July 2003