

CHAIRMAN'S STATEMENT

SUCCESS IN LISTING

On behalf of the board of directors ("the Board") of Art Textile Technology International Company Limited ("Art Textile" or the "Company") (錦藝紡織科技國際有限公司) and its subsidiaries (together, the "Group"), I am pleased to report that the shares of the Company have been successfully listed and commenced trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 10 September 2003. A total of 175,000,000 new shares were issued, raising net proceeds of approximately HK\$77,100,000. The initial public offering was 160 times over-subscribed and the placing was 5 times over-subscribed, successfully attracted the interests of retail and institutional investors in Hong Kong and overseas. The success confirmed that the Group has attained high recognition from the investment community.

I am also pleased to present the first annual report of the Group. The Group recorded substantial growth in both income and earnings with turnover rising by approximately 52.7% to HK\$345,415,000 and profit increasing by approximately 60.6% to HK\$68,732,000.

BUSINESS REVIEW

For the financial year ended 30 June 2003, Art Textile achieved remarkable results by leveraging on its established strengths, experience and foresight. The Group attained many achievements within the year.


In line with the Group's effort to explore the overseas market, the Group has set up a sales office in Shaoxing City of Zhejiang Province in the People's Republic of China (the "PRC"). The Group began to sell products to foreign customers in October 2003.

The Group gained a number of awards for its devotion in research and development as well as quality control. These included the 2003/2004 China's Trendy Fabric Award granted by the National Development Centre of Textile Products and the Innovative Award for Textile Technology, Development and Application of New Type Fabric and Innovation in Dyed Fabric Technology granted by the Textile Engineering Society of Fujian Province. The Group also continued to research on and develop new products in an effort to meet the ever changing market demand for textile products and garments.

The Group strategically installed an additional state-of-the-art dyeing production line and auxiliary facilities in the plant at Changle City of Fujian Province, the PRC in an attempt to benefit from the anticipated increase in market demand for the Group's products, the robust development of the national textile industry and to grasp the opportunities arising from PRC entry into the World Trade Organization. We estimate that the Group's annual production capacity of cloth dyeing will increase from 31,800,000 meters to 51,100,000 meters after the installation of the additional dyeing production line and its auxiliary facilities.

The above-mentioned major events will not only be regarded as a milestone in the business development of the Group, but also create many business development opportunities for the Group.

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The Group, armed with the close connection with its distribution agents and customers as well as its established and continuously expanding business network, intends to enlarge the distribution network in two aspects. One is to set up sales outlets or appoint distribution agents in new locations, and the other is to strengthen the existing sales and marketing team in order to further promote the Group's products and the brand name of "  ".

Looking forward, the business growth of the Group is expected to accelerate in the future. We will seek growth through vertical and horizontal integration and by cooperating with business partners. We will also deploy resources to enhance market promotion and strengthen the product development team, increase the variety of products, expand distribution network in the PRC and develop overseas markets.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to present my heartfelt thanks to the customers, suppliers, bankers, business partners and shareholders of the Company for their continuous support and trust and also to each staff member of the Group for their diligent work. The achievement acquired by the Group directly resulted from the contribution of each of the staff member and their dedication.

Chen Jinyan

Chairman

Hong Kong, 16 October 2003