



CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2003, the SARS epidemic seriously affected our original plan, particularly our business development strategy focusing on franchising shops. Our development was suspended for over half a year. Under such adverse conditions, the Group tightened its cost controls, strengthened the management, and reduced inventories to reduce operating loss. In addition, the Group implemented further reforms to enhance its overall competitiveness, and reviewed its marketing strategy to sustain future challenges.

PERFORMANCE IN VARIOUS DISTRICTS

SARS did affect our business in all districts. We closed four under-performing shops in Hong Kong. Individual Traveller Scheme introduced in the second half of the year helped to improve the overall market sentiments. We are watching closely on consumer spending propensity. We will consider new shop possibilities if rental cost commensurates with revenue expectations.

Mainland China is our core market, and after the SARS, shops in major cities have regained their business momentum and recorded growth.

Our business in Taiwan is recovering at a slower pace. In the later part of the year, market sentiments gradually recovered, and business was back to normal.

BUSINESS DEVELOPMENT

The Greater China market is fast developing, providing enormous opportunities. In the past year, not only did we improve our products and overall management, but also mapped out a very clear direction to position ourselves in the market – to reinstate the brand image of Theme as a symbol of elegance, taste and vogue in business and leisure wear for career women. With Theme's trendy and exquisite image, coupled with our competitiveness in production cost and quality, we are confident in re-capturing and expanding our market share in the future.

The Group is constantly searching for suitable sites in prime cities in both Taiwan and Mainland China for new shops. Working parallelly to enhance the design and taste of our products, we intend to upgrade the image and our merchandise presentation in the very near future, powerfully presenting the Theme brand to attract more customers.

The Group will heighten our emphasis on developing franchised shops. We will carefully select strong and experienced companies as our partners to build an effective sales network so as to expand our market share. In mid-2004, we will hold large-scale new franchisee promotion campaigns in major cities, prior to the launch of our autumn and winter collections. In support of our strategy in attracting more franchisees, we have set up an experienced and well-trained operating team to render full assistance to our new franchisees to uphold a high standard of franchisees' operations.

The operation of our headquarters is excellently cost effective. We believe that if the expansion of our self-operated shops and franchised shops work out as planned, the Group's results in 2004 will be able to make a breakthrough.

PROSPECTS

The Group focuses on development in Mainland China and Taiwan. PRC is on track for high growth. Career women will increase and create higher demands for business attire and lifestyle. In the past few years, the Group has been constantly making self-improvements in pursuit of a long-term and stable retail market strategy for ladies fashion. I am convinced that the Group's reforms have basically been completed, and that our direction is clear. Our management and staff work as a cohesive team. We have full confidence that the Group will meet our reform objectives in 2004. Our business has entered a phase of solid consolidation, to be followed by a new era of high competitiveness and healthy growth.

I am pleased to announce that the Group has appointed Mr. David Hui as the Group's Vice-Chairman and CEO effective 1 March 2004.

Finally, I would like to take this opportunity to thank our shareholders for their support and our staff for their dedication and hard work.

Lam Foo Wah
Chairman

Hong Kong, 20 April 2004

