

Chairman's Statement



A section of our new weaving plant

Results

Group turnover for the year ended 31 December 2003 was HK\$1.92 billion compared to HK\$2.17 billion for the 15 months ended 31 December 2002. Consolidated net profit attributable to shareholders was HK\$33.3 million, recovered from a net loss of HK\$23.9 million for the 15 months ended 31 December 2002.

The board of directors recommended a final dividend of 3 HK cents per share.

Private Label and Manufacturing Operations

Leveraging on our capability to satisfy our customers' needs for newness, quality, competitive pricing and quick response manufacturing, our private label business increased significantly. Sales to our key customers exceed average increase.

Branded Label

August Silk successfully launched a broader range of new products and new designs to our customer groups to combat a sluggish retail environment in the later part of 2003. August Silk products will be more competitive.

Retail Business

Theme's business was badly hit by SARS. Its franchisee business expansion program was abruptly suspended by half a year. During this difficult period we took initiative to control our inventory level and further improved our cost efficiency. Theme's operating loss was reduced, despite heavily decreased sales. SARS helped accelerating and deepening our reform on Theme, preparing it to sustain any tough shocks in the future.

Prospects

The picture for 2004 is one of improving consumer sentiment and spending in our major markets, but not without potential risks of unexpected shocks.



German warping machine

SARS has catalyzed heavier pressure on our industry for new products, added value and quicker response manufacturing time. Engineering from our vertically integrated production facilities, we own the essential tools to provide for big customers competitive one-stop shopping with total value-added packages custom tailored to their needs: from product design and development, through chain production to shipping, with appropriate depth, breadth and flexibility.

We never stop rejuvenating and building our company steadily. We consider 2004 is the right time to make additional strategic investments in technology, equipment and machinery to enable us ably respond to challenges and opportunities ahead as a result of abolition of apparel quota in 2005. We continue investing in our people. Our strategy is to take advantage of our existing service line to our well established customer base to quickly grow our non-silk business.

I want to thank our shareholders, customers, suppliers, our staff, management and my fellow directors for their continuous cooperation and support to us.

Lam Foo Wah

Chairman

Hong Kong, 20 April 2004

