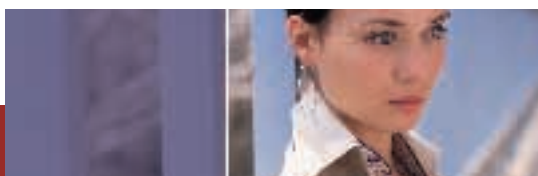


Management Discussion and Analysis



Results

Turnover for the year ended 31 December 2003 amounted to HK\$1.9 billion. Net profit attributable to shareholders for the year ended 31 December 2003 was HK\$33 million, compared with a reported loss of HK\$24 million for fifteen months ended 31 December 2002. Basic earnings per share was 10.2 HK cents. Net asset value per share was HK\$1.82.

Review of Operations

The segmental information is as follows:-

	12 months ended 31 December 2003	15 months ended 31 December 2002	12 months ended 31 December 2003	15 months ended 31 December 2002
	Turnover		Contribution	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacturing and trading	1,737,332	1,886,797	81,961	82,864
Retail	180,579	286,683	(21,813)	(63,382)
	<u>1,917,911</u>	<u>2,173,480</u>	<u>60,148</u>	<u>19,482</u>

The manufacturing and trading business showed improvement in both turnover and profit margin. On annualized basis, the turnover increased by 15% and profit contribution increased by 23%. The retail business of Theme was badly hit by the SARS outbreak. Loss on retail was substantially reduced from HK\$63 million to HK\$22 million.



Sophisticated advanced computerised European Jacquard Looms in our new weaving plant

Management Discussion and Analysis



Liquidity and Financial Resources

The Group's total outstanding bank borrowings were approximately HK\$367 million at the end of 2003 compared to HK\$365 million in 2002. Our gearing ratio of non-current liabilities to shareholders' funds was 5% at the balance sheet date. Current ratio was 1.3.

The Group's total cash and bank balances were HK\$183 million at the balance sheet date, compared to HK\$149 million in 2002. The Group had very strong working capital and unutilized banking facilities to meet its operating needs.

The Group's receivables were mainly denominated in US dollars. Bank borrowings were denominated in US dollars, Hong Kong dollars and Renminbi. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk is minimal. The Group had no borrowings at fixed interest rates during the year.

The Group had no material contingent liabilities other than trade bills discounted in the ordinary course of business. Barring the pledge of trade receivables of HK\$64 million and Chinese Value Added Tax receivable of HK\$91 million (over 70% of which was subsequently received) of certain subsidiaries and on land and building with net book value of HK\$2.1 million, there were no other charges on the Group's assets.

The increase in bills and trade receivables at the balance sheet date was mainly due to the effect of increased turnover of peak months in the fourth quarter.

Human Resource

The total number of employees of the Group including jointly-controlled entities as at the balance sheet date was about 9,800. Other than competitive remuneration package offered to our employees, share options are available to reward employee performance. No share option was granted during the year.

Capital Expenditure

The Group invested HK\$39 million in building and machinery of our new weaving plant in Xinchang, PRC in 2003. Save this, there were no material capital expenditures.

