



# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual results of Peking Apparel International Group Limited (“Peking” together with its subsidiaries, collectively as the “Group”) for the year ended 31 March 2004.

## ***Results***

Turnover for the year ended 31 March 2004 amounted to approximately HK\$89,636,000 representing a marginal decrease of less than 0.5 per cent as compared to that of last year. Net profit attributable to shareholders amounted to approximately HK\$2,565,000, as compared to a net loss of HK\$2,379,000 reported last year.

## ***Achievements***

The outbreak of Severe Acute Respiratory Syndrome (“SARS”) and the war on Iraq during the first half of the Financial Year 2004 has brought impact to the full financial year. These two incidents have affected the Group’s overall performance in terms of sales and profit margins from its major customers throughout Asia and the USA. Nevertheless, major customers from European countries, such as Germany and Spain, have helped in the recovery of the sales and profit margins. The SARS has a prolonged impact on the PRC, which is a predominant market for the Group for the second half of the financial Year. As a result of its impact, the sales to the PRC market during the second half of the financial year recorded a decrease as compared with the last corresponding period. The overall sales and profits for the second half of the year were disappointing. Nevertheless, with the dedication of the management and the staff, the Group was able to improve its gross profit margin as well as the overall results for the year.

## ***Future outlook***

In order to enhance the Group’s overall performance, the Group has taken a series of measures aiming to improve its sales, production efficiencies and productivities, cost control as well as other opportunities that will bring good profit and returns to our shareholders.

The Group has taken actions over its production facilities. The management responsibilities and the production area of the production facilities were re-assigned. An assistant general manager was promoted from one of the production units. She is responsible for overseeing the personnel and administration, production efficiencies and productivities as well as cost control of the Group’s production plant in the PRC.

The Group will focus on developing potential market and customers. Further resources will be allocated for the sales and marketing work. In July 2003, a marketing manager was appointed with the prime responsibilities of setting up a design and marketing department. Apart from this, the marketing manager will have to plan and execute aggressive but prudent marketing approach in business expansion with new customers and designs. With the dedicated work of this new team, the Group recorded good results during the “Hong Kong International Fur & Fashion Fair 2004” as well as recognition from its customers. This has paved the ground for a promising financial year 2005.

In terms of market promotion, the Group has held its own fashion fair in China and has attended various fashion related fairs. Understanding that the purchasing power of the USA market is improving, the marketing manager has made visits to some prominent potential customers in the USA hoping to broaden our customer base over there.

In light of the flourishing growth of the Asia, in particular PRC, economy and buoyant consumption demand, coupled with the global economy recovery, the Group will continuously look for new trading partners so as to maintain, and increase, the performance over these markets.

The Group is optimistic on its future prospects and confident in improving its results for the coming year. Therefore, the Board of Directors decided to recommend the payment of a final dividend to its shareholders.



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***Dividends***

The Board of Directors recommends the payment of a final dividend of HK1 cent (2003: Nil).

***Appreciations***

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to our staff and members of our management team for their commitment and contribution to the Group throughout the year. We would also like to take this opportunity to express our sincere thanks to our shareholders, investors, business partners, customers and suppliers for their continuous support and encouragement.

**Char On Man**

*Chairman*

Hong Kong  
22 July 2004