

Before the elimination of global garment quotas in January 2005, apparel production used to be widely dispensed among different countries according to quota availability. Today, garment manufacturers in different countries have to compete on their production lead-times, manufacturing costs, and product and service quality. As for apparel importers, they tend to rely on fewer suppliers and countries for merchandise. The industry is expected to consolidate. The smaller and less efficient operators will be ousted, leaving behind leading garment manufacturers with sufficient production facilities and capabilities to turn out products of industry recognized quality.

To strengthen its competitive edge, the Group will focus on boosting its profit margin by offering value-added services, enriching product offerings and improving production lead-time to serve customers' needs in a timely manner. Resources will be reallocated to businesses that are generating high investment return.

The Group will seek to form alliance with strategic partners, carry on mergers and acquisitions and improve the productivity of its existing production bases to increase its capacity for meeting anticipated demand surge. Although the development of the textile and garment industry in the Mainland China may to a certain extent be hindered by anti-surge mechanism, which may be imposed by countries such as the US, its potentials cannot be ignored. The Group shall actively explore and exploit these potentials in line with its corporate strategy.

To equip the workforce to face the challenges ahead, the Group shall continue to offer training programmes to staff in different levels and positions on an ongoing basis. The aim of these programmes is to cultivate a dynamic corporate culture and develop effective communication and customer service skills among staff members. Moreover, system controls will be reinforced to ensure high operational efficiency and performance.

Reforms and reengineering are crucial to the success of the Group in the ever-changing business environment. The Group constantly and vigilantly reviews its corporate strategy and related standards and practices to keep at the forefront of corporate development. The strategy we are pursuing will continue to strengthen our market position which paves the way to success in future.

I would like to take this opportunity to express my appreciation to the dedication and commitment of my fellow directors and all our staff. My sincere thanks also go to our valued customers, business partners and shareholders for their unfailing support.

**Rusli Hendrawan**

*Chairman*

17th March, 2005