

# Chairman's Statement



## RESULTS

The Group's turnover for 2004 was HK\$1.96 billion, up 2% from 2003. Net profit attributable to shareholders was HK\$72.4 million, an increase of 118% over 2003.

The Board of Directors recommended a final dividend of 5 HK cents per share. Plus the interim dividend of 3 HK cents per share, the dividend for the whole year will be 8 HK cents per share, compared to 4 HK cents per share for 2003.

## BUSINESS REVIEW

After two full years of deep and broad re-organization, streamlining our operations, renovation of our vertical production facilities and technologies, we have revitalized our entire group. We are more dynamic, competitive and responsive to consumer demand.

Our efforts in market diversification produced real result. Sales to the European market increased over 30% from 2003. We are now set to accelerate our business expansion in the European market with new products and intensified marketing activities.

Owing to generally sluggish demand for silk apparel, our sales in the US market were down 8%. Riding on our constantly improving competitiveness, we are taking solid steps to increase our turnover in the USA as a whole. August Silk accounted for 40% of our sales in the USA. We have reorganised the management of August Silk and expanded its sales force. We keep heightening our product integrity and identity. We expect August Silk's operation to turn around towards the latter part of this year.

To build our business organically, we have commenced necktie and home furnishing businesses. Our new production facilities and customer base provide us with excellent growth potential.

The hard work we put in Theme retail business gave rise to a turnaround. During the year, Theme increased its capital strength through new share subscription. Recognition of the Theme brand as an upper tier smart-casual fashion label for the career women in the Greater China has started to grow. The management of Theme is committed to deliver a return to its shareholders.



## **PROSPECTS**

The silk apparel market in USA remains challenging. Building on our product integrity and identity we continue to create new niches to maintain and raise our leadership position in the silk apparel industry. The global textile and clothing quota system was abolished on 1 January 2005. We will continue to expand the US and European markets through sharpening our focus on promoting non-silk apparel as well as non-silk textile products.

We have achieved a turnaround in our retail business in the Greater China. As economy in the Greater China continues to expand, growth potential for our retail business is enormous.

I want to take this opportunity to thank our shareholders, customers, suppliers, staff and my fellow Directors for their support.

**Lam Foo Wah**

*Chairman*

Hong Kong, 18 April 2005