



## CEO'S STATEMENT

### RESULTS

Turnover for the year of 2004 was HK\$201 million, representing an increase of 17% when compared to HK\$172 million for 2003. Loss attributable to shareholders was HK\$8.2 million for the year, compared to a loss attributable to shareholders of HK\$19.9 million for the last year.

The board of Directors did not recommend a final dividend.

### OWN-SHOP BUSINESS

Turnover of the own-shop business in the Greater China region increased from the previous year's HK\$116 million to HK\$145 million in 2004, representing an increase of 25%.

Taiwan operation performed well, despite the numerous typhoons and floodings in 2004, delivering a 23% increase in turnover compared with the previous year. The improvement extends into 2005. The Group has a total of 53 outlets in Taiwan as at year-end.

The Group's own-shops in the PRC numbered 11 in Beijing, 11 in Shanghai and 9 in Guangzhou. The shops reported good progress during the year with a 46% increase in turnover. The latest addition to the Guangzhou shops has an area of 400m<sup>2</sup>. Magnificently furnished, the new shop blends in well with the constantly improving designs and quality of our products, fully demonstrating the new image of Theme and variety of Theme's products. It was well received by the market and our customers, and reported a satisfactory performance in the second half of the year, which was in line with the group's targets. The revitalized image and improved performance of the Group's own-shops appealed to our target franchisees and boosted their confidence in the prospect of the Theme brand, as well the cooperation with Theme.

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### FRANCHISING BUSINESS

The Group planned to further develop its franchise network in the PRC. Progress in this aspect, however, was less than satisfactory in the past year. Our strategy is to recruit only quality and experienced franchisees as our business partners for future cooperation, and terminate all non-performing franchisees. The number of franchise outlets has thus experienced negative growth during the year. Our business development staff have been actively seeking cooperative opportunities with quality and experienced franchisees in various provinces. Consensus was reached with the major franchise operators regarding the opening of franchise shops and counters starting in Spring 2005. These franchisees will also be acting as regional agents of the Group to facilitate the substantial extension of its franchise network across the country.

No Like Other Shop In The World

### UNIFORM BUSINESS

The Group saw a large potential in the enormous uniform market, as many companies have plans to relocate their production bases for uniforms in other parts of the world to the PRC. The Group decided to further expand its uniform business starting in mid-2004 by putting in place a new management team. However, they failed to execute the business plan resulting in special provisions and hence a loss situation of the division. We have subsequently strengthened the management team and moved the production base from the new Shenzhen factory to our existing Dongguan Sanyue Factory. The Shenzhen factory has since been closed. Leveraging the Group's production

experience, we have full confidence in further expanding our market share. Our uniform business has been serving orders from the PRC, Hong Kong and overseas markets. Through enhancements in design, production and logistics services, we look forward to becoming a competitive and substantial supplier for premium uniforms.

### OUTLOOK

The Group's target for its own-shop business in 2005 is to open 17 new outlets in the PRC and another 7 in Taiwan, bringing the total number of shops to 104 by year-end. Beijing, Shanghai and Guangzhou will continue to be the Group's target cities for new outlets.

Starting in Spring 2005, a number of quality and experienced PRC franchisees will be opening shops and counters in key shopping areas in major PRC cities. The plan is to open an additional 33 franchise outlets by year-end, bringing the total to 90 outlets. Apart from establishing their own franchise shops, these experienced franchisees will at the same time expand their businesses by recruiting other retailers in the region to join their franchise network. This will enable the efficient expansion of the Theme network in the PRC.



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Through constantly enhancing our product and management qualities, we are determined to become the most competitive brand in the industry in terms of design and quality. Leveraging our retail network expansion and margin improvements, I believe the Group's results will further improve and reach new heights.

With the dedicated efforts of our fellow colleagues, the Theme brand has fortified its pronounced image in the Greater China region, representing a sophisticated and high-end smart-casual fashion for career women of the new century. We believe there are enormous potentials for the Group's development, especially in the PRC market. Riding on our strengths and production experience, and our energetic management team and staff, I expect the Group to achieve new breakthroughs in the near future.

Finally, I would like to take this opportunity to thank our shareholders for their support and our fellow directors and our staff for their dedication and hard work.

**Hui Yip Wing, David**  
*Vice Chairman and CEO*

Hong Kong, 18 April 2005