

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Facing the grim challenges particularly following the US-Iraq War, the Severe Acute Respiratory Syndrome ("SARS") outbreak, sluggish recovery of US and Europe markets and the price rise of raw materials in PVC, chemical fiber and fabrics, the Group's turnover in household products recorded HK\$424,406,000, representing a decrease of 3.6% compared with last year (2002: HK\$440,250,000). Profit from operations in household products recorded HK\$18,452,000, representing a decrease of 37.8% compared with last year (2002: HK\$29,688,000).

The impact of China's accession to the World Trade Organisation continued to sustain a positive move in demand of construction-related materials for basic infrastructure and construction of properties. The Group's turnover in PVC pipes and fittings recorded HK\$313,135,000, representing an increase of 30.8% compared with last year (2002: HK\$239,405,000). Profits from operations in PVC pipes and fittings recorded HK\$27,802,000, representing a decrease of 0.2% compared with last year (2002: HK\$27,867,000).

On geographical basis, Asia and United States of America continued to remain the dominant markets to the Group, which accounted for 50.2% and 42.6% of the Group's turnover respectively.

During the first half of 2003, the US-Iraq War and SARS outbreak had affected the overseas customers adopting conservative purchasing approaches in placing orders. In the PRC, during the SARS outbreak period, the construction-related business was forced to halt due to lack of manpower following the Government policy to curb the mobility of population for infection control, resulting in a decrease in the demand of the construction-related materials. Such unexpected events, natural disaster and epidemic had material and adverse impact of our Group's core businesses. In the second half of 2003, the sharp price rise of raw materials in PVC, chemical fiber and fabrics had deteriorated the Group's operating environment. The rise in the price of the Group's principal products could not keep pace with the rise in the price of PVC raw materials and therefore the Group's profit margins were under pressure.

PROSPECTS

The Group's wholly-owned subsidiaries located in Wangzhung Town, Changshu City, Jiangsu Province, Nam Sok Houseware Producing (Changshu) Co., Ltd. ("NSHW") and Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd. ("NSBM") had completed most of the construction of production plants and the installation of machinery and equipment, and production has gradually commenced. North America, Europe, Canada and other countries will completely uplift the quota system of chemical fiber and fabric household products at the beginning of 2005, which creates enormous business opportunities for the Group's household products.

The timely commencement of the production of NSHW will certainly be conducive to the increase in the Group's production capacity and market expansion with an aim to achieve good operating returns.

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PROSPECTS *(Continued)*

Driven by the rapid economic growth in the PRC, it is expected that construction-related businesses will grow vigorously, and the commencement of production in NSBM will help to meet the market demand particularly in Shanghai , Huadong and Huazhong regions of the PRC. With our highly flexible marketing strategy to explore market coverage and to improve operating profits, the Board believes that this business segment will generate respectable benefit to the Group.