

SUCCESS IN LISTING

On behalf of the board of directors ("the Board") of Art Textile Technology International Company Limited ("Art Textile" or the "Company") (錦藝紡織科技國際有限公司) and its subsidiaries (together, the "Group"), I am pleased to report that the shares of the Company have been successfully listed and commenced trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 10 September 2003. A total of 175,000,000 new shares were issued, raising net proceeds of approximately HK\$77,100,000. The initial public offering was 160 times over-subscribed and the placing was 5 times over-subscribed, successfully attracted the interests of retail and institutional investors in Hong Kong and overseas. The success confirmed that the Group has attained high recognition from the investment community.

I am also pleased to present the first annual report of the Group after its listing. The Group recorded the growth in both income and earnings with turnover rising by approximately 21.8% to HK\$420,692,000 and profit increasing by approximately 9.6% to HK\$75,354,000.

BUSINESS REVIEW

For the financial year ended 30 June 2004, Art Textile achieved remarkable results by leveraging on its established strengths, experience and foresight. The Group attained many achievements within the year.

In an attempt to benefit from the anticipated increase in market demand for the Group's products, and grasp the opportunities arising from the robust development of the textile industry of the People's Republic of China (the "PRC"), the elimination of the textile quotas and our accession to the World Trade Organisation (the "WTO"), the Group completed the installation of its new state-of-the-art dyeing production line and auxiliary facilities in the plant in Changle City of Fujian Province, the PRC in May 2004. Trial run has also been successfully conducted. As a result, the Group's production capacity has increased by 75%. The Company has also secured considerable orders. All these positive outcomes will be reflected in the annual results of 2005.

To be in line with the Group's efforts in expanding the domestic and overseas markets, sales offices have been set up in Shishi, Guangzhou, Shanghai of the PRC and in Hong Kong. In September 2003, the Group began to promote and sell its products to overseas customers from Europe and North America through participation in various trade fairs and exhibitions.

With the elimination of the textile quotas in January 2005, more European and American textile companies will commence their sourcing from the PRC to take advantage of the lower production costs as compared with other countries. Benefitting from the elimination of quotas and an expanding sales network overseas, it is expected that the export sales of Art Textile will record significant growth in the forthcoming year.

Chairman's Statement

Apart from engaging in the production of ladies' apparel targeting at mid to high-end market, the Group has also devoted in the research and development and the application of down as surface material during the year. The Group was awarded the "Innovative Award of New Product" by the Textile Engineering Society of Fujian Province (福建省紡織工程學會). As the development trend of the market keeps on changing, the Group will continue to focus on the research and development of new products in order to meet the ever-changing needs of the textile and garment market such as men and ladies' apparels, sports wears, fabrics for curtains and sofas.

The above-mentioned major events will not only be regarded as a milestone in the business development of the Group, but also create many business development opportunities for the Group.

The Group, armed with the close connection with its distribution agents and customers as well as its established and continuously expanding business network, intends to enlarge the distribution network in two aspects. One is to set up sales outlets or appoint distribution agents in new locations, and the other is to strengthen the existing sales and marketing team in order to further promote the Group's products and the brand name of "  ".

Looking forward, the business growth of the Group is expected to accelerate in the future. We will seek growth through vertical and horizontal integration and by cooperating with business partners. We will also deploy resources to enhance market promotion and strengthen the product development team, increase the variety of products, expand distribution network in the PRC and develop overseas markets.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to present my heartfelt thanks to the customers, suppliers, bankers, business partners and shareholders of the Company for their continuous support and trust and also to each staff member of the Group for their diligent work. The achievement of the Group would not be possible without the contribution of each of the staff member and their dedication.

Chen Jinyan
Chairman

Hong Kong, 12 October 2004