

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended March 31, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 23 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group are set out in the consolidated income statement on page 17 of the annual report.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 15 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 20 of the annual report and note 16 to the financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment amounting to approximately HK\$866,000 were acquired by the Group for the expansion of its operations. Details of movements in property, plant and equipment during the year are set out in note 10 to the financial statements.

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ling Tai Yuk, John

Kong Ho Pak

Pang Hon Chung

Zee Shang Yung, Johnny

Independent non-executive directors:

Ng Tze Kin, David

Wu Wing Kit

In accordance with the Bye-laws of the Company, Mr. Zee Shang Yung, Johnny shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The term of office of each director, including the non-executive directors, is for the period up to his retirement by rotation in accordance with the Bye-laws of the Company.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At March 31, 2003, the interest of the directors, chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

1. The Company

Name of director	Number of shares	
	Personal interests	Corporate interests
Ling Tai Yuk, John	26,563,336	44,705,322 (<i>note</i>)
Kong Ho Pak	3,342,200	—
Pang Hon Chung	1,703,000	—
Ng Tze Kin, David	507,000	—

Note: These shares are held by Accura Overseas Limited ("Accura"), a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Ling Tai Yuk, John.

2. Subsidiary

At March 31, 2003, Messrs. Ling Tai Yuk, John and Kong Ho Pak were beneficially interested in 1,550,010 and 664,290 deferred non-voting shares respectively in Koniko Company Limited ("Koniko"), a company incorporated in Hong Kong, which is an indirect wholly owned subsidiary of the Company.

The deferred non-voting shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on winding up.

At March 31, 2003, save as disclosed above, none of the directors, chief executives or their associates had any interest in the shares or any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme (the "Scheme") adopted on October 11, 1999 by a resolution passed by the Company's shareholders on August 16, 1999, the directors of the Company may grant options as incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") for the shares in the Company within a period of five years commencing from October 11, 1999. No options have been granted under the Scheme since its adoption. Details of the Scheme are set out in note 20 to the financial statements.

Save as disclosed herein:

1. None of the directors or the chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year; and
2. At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At March 31, 2003, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following parties had notified the Company that they were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares
Ling Tai Yuk, John	71,268,658 <i>(note)</i>
Accura	44,705,322

Note: By virtue of his interest in Accura, Mr. Ling Tai Yuk, John was deemed to be interested in the 44,705,322 shares held by Accura.

Save as disclosed above, the directors are not aware of any person who, at March 31, 2003, was interested in 10% or more of the issued share capital of the Company.

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DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

During the year, the Group paid rental charges amounting to approximately HK\$642,000 to Crown Regent Enterprise Limited, a company in which Mr. Ling Tai Yuk, John, a director of the Company, has a beneficial interest.

Save as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

In accordance with rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. Ling Tai Yuk, John, a director of the Company, is deemed to have an interest in a business that may compete with the subsidiaries of the Company in the garment industry, as mentioned below:

1. He is a director and a substantial shareholder of Casual Center Garment Industries Limited ("Casual Center"), which is engaged in the manufacture and trading of garments;
2. He is a director of Pace Fashion Industries Limited ("Pace Fashion") the principal activities of which is the rental of properties to companies engaged in the manufacture of garments, the trading of garments and the design and sale of sample garment products; and
3. He is the sole proprietor of Progressive Industries ("Progressive") which is engaged in the trade of fabric and garments.

The Independent Audit Committee is satisfied that there are sufficient internal controls to ensure that the Group is capable of carrying on its business independently of, and at arm's length from, Casual Center, Pace Fashion and Progressive.

Save as disclosed above, the directors hold no further interest in any businesses that compete or are likely to compete, either directly or indirectly with the business of the Group.

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CONNECTED TRANSACTION

During the year, the Company paid consultancy fee of HK\$40,000 to Yin Ping Nominees Limited and HK\$200,000 to Yin Ping Corporate Services Ltd., companies in which Mr. Pang Hon Chung's spouse and brother have controlling and beneficial interests.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or similar rights during the year or as at March 31, 2003.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listing securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended March 31, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended March 31, 2003:

1. The Group's largest customer and five largest customers accounted for approximately 63% (2002: 81%) and 100% (2002: 100%) respectively of the Group's total turnover for the year.
2. The Group's largest supplier and five largest suppliers accounted for approximately 23% (2002: 22%) and 63% (2002: 63%) respectively of the Group's total purchases for the year.

According to the understanding of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers.

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AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint them.

On behalf of the Board

Ling Tai Yuk, John

Director

Hong Kong, July 3, 2003