

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March, 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture and sale of garments and rental of properties. The principal activities and other particulars of the subsidiaries are set out on page 72.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 12 on the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31st March, 2003 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 17 to 73.

An interim dividend of HK2 cents (2002: HK2 cents) per share was paid on 14th January, 2003. The directors now recommend the payment of a final dividend of HK8 cents (2002: HK8 cents) per share in respect of the year ended 31st March, 2003.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK\$33,079,000 (2002: HK\$27,591,000) have been transferred to reserves.

FIXED ASSETS

Details of additions to and other movements of fixed assets during the year are set out in note 14 on the financial statements.

INVESTMENT PROPERTIES

Particulars of the Group's investment properties are set out in note 14 on the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company at 31st March, 2003 are set out in notes 27 and 28 on the financial statements.

Interest expenses of HK\$585,000 were capitalised by the Group during the year (2002: Nil).

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$342,000 (2002: HK\$85,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to the largest customer and to the five largest customers accounted for 12% and 34% of the Group's sales respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases. None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any interest (as defined in the Listing Rules) in the Group's five largest customers.

REPORT OF THE DIRECTORS**DIRECTORS**

The present directors of the Company are listed on page 2.

On 10th April, 2003, Mr. Takashi Inoue resigned as Non-executive Director of the Company.

In accordance with provisions of Articles 95 and 104 of the Company's Articles of Association, Madam Chan Suk Man and Messrs Leung Hok Lim and Wong Lam, retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the connected transactions under Chapter 14 of the Listing Rules as set out in note 35(a), (b), (d) and (h), no contract of significance to which the Company or any of its subsidiaries was a party in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

The directors who held office at 31st March, 2003 had the following interests in the issued share capital of the Company, its subsidiaries and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' interests in shares:

Name of director	Ordinary shares of HK\$0.50 each			
	Personal interests	Family interests	Corporate interests	Other interests
Chan Sui Kau	4,216,464	2,666,236	3,740,820	(i)(a)
Chan Wing Fui, Peter	324,068	56,000	–	(i) & (ii)
Chan Wing Kee	1,174,416	138,904	–	(i) & (ii) & (iii)
Chan Wing To	1,956,036	–	–	(i) & (ii) & (iii)
Chan Wing Sun, Samuel	7,496	–	–	(i) & (ii)
Yeung Wing Tak	1,446,200	–	265,364	–
Chan Wing Chak, David	21,792	–	1,520,000	(i)(a) & (iii)
Chan Suk Ling, Shirley	1,152,544	16,000	–	(i)
Chan Suk Man	1,023,420	208	–	(i) & (iii)
Takashi Inoue	–	–	–	–
Leung Hok Lim	–	–	–	–
Wong Lam	–	–	–	–

DIRECTORS' INTERESTS IN SHARES (Continued)

- (i) (a) An aggregate of 19,827,808 shares of the Company were held under various trusts and companies established for the benefit of members of the Chan family including Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel and Chan Wing Chak David, Madam Chan Suk Ling Shirley and Madam Chan Suk Man.
- (b) 34,595,908 shares of the Company were held by Joycome Limited, which is beneficially owned by certain directors of the Company, namely, Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To and Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley and Madam Chan Suk Man.
- (ii) 1,574,480 shares of the Company were held by Hearty Development Limited which is beneficially owned by Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To and Chan Wing Sun Samuel.
- (iii) 1,589,000 shares of the Company were held by Super Team International Limited which is beneficially owned by Messrs Chan Wing Kee, Chan Wing To, Chan Wing Chak David, Madam Chan Suk Man and certain members of the Chan family.

CONNECTED TRANSACTIONS

Details of connected transactions under Chapter 14 of the Listing Rules are set out in notes 35(a), (b), (d) and (h) on the financial statements. In the opinion of the independent non-executive directors, these transactions were entered into by the Group:

- (i) in the ordinary and usual course of its business;
- (ii) either on normal commercial terms or where there is no available comparison, on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned; and
- (iii) either in accordance with the terms of the agreements governing such transactions; or where there are no such agreements, on terms no less favourable than those available to or from (as appropriate) independent third parties.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2003.

REPORT OF THE DIRECTORS**RETIREMENT SCHEME**

Particulars of the retirement scheme of the Group are set out in note 13 on the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules throughout the year, except that the non-executive directors of the Company were not appointed for a specific term but are subject to rotation in Annual General Meeting pursuant to Articles 95 and 104 of the Company's Articles of Association.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 74 of the annual report.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Chan Sui Kau

Chairman

Hong Kong, 22nd July, 2003