

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries and its associates consist of the sale of garments, the trading and distribution of leather, fur and garment accessories and the generation and sale of electricity through the operation of a coal-fired electricity power plant (the "Power Plant") located in the Fujian Province, the People's Republic of China (the "PRC"). There were no changes in the nature of the principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 16 to 56.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2003.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Group's published audited financial statements, is set out below:

RESULTS

	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	<u>43,791</u>	<u>72,429</u>	<u>42,910</u>	<u>68,167</u>	<u>288,275</u>
Profit/(loss) before tax	<u>(7,608)</u>	14,299	(5,796)	(68,783)	(110,373)
Tax	<u>2,255</u>	<u>268</u>	<u>4,500</u>	<u>–</u>	<u>338</u>
Profit/(loss) before minority interests	<u>(5,353)</u>	14,567	(1,296)	(68,783)	(110,035)
Minority interests	<u>(83)</u>	<u>(163)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>(5,436)</u>	<u>14,404</u>	<u>(1,296)</u>	<u>(68,783)</u>	<u>(110,035)</u>

REPORT OF THE DIRECTORS (Continued)**SUMMARY FINANCIAL INFORMATION** (Continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2003 HK\$'000	2002 HK\$'000	As at 31 March		
			2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Non-current assets	231,574	174,538	100,183	20,922	33,285
Current assets	37,051	102,021	70,880	117,106	180,221
Total assets	268,625	276,559	171,063	138,028	213,506
Current liabilities	24,889	24,907	49,243	56,703	110,568
Non-current liabilities	10,199	10,853	10,999	66,203	29,045
Total liabilities	35,088	35,760	60,242	122,906	139,613
Minority interests	1,389	1,148	5	5	5
	232,148	239,651	110,816	15,117	73,888

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 25 and 26 to the financial statements.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS (Continued)

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$1,444,000 as computed in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, the Company's share premium account, in the amount of approximately HK\$150,371,000 at 31 March 2003, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of sales attributable to the Group's five largest customers accounted for approximately 56% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 49%.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 59% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 33%.

As far as the directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Mr. Chan Chun Keung

Mr. Chau On Ta Yuen

Mrs. Judy Leissner (appointed on 14 May 2002)

Mr. Lam Chung Chak (appointed on 3 October 2002)

Mr. Chan Kin

Mr. Poon Chak Keung (resigned on 3 October 2002)

Mr. Pu Ziren (resigned on 27 June 2002)

Independent non-executive directors:

Mr. Dominic Lai

Mr. Chan Kam Man

The term of office for each of the independent non-executive directors of the Company is two years commencing from their respective dates of appointment, but they may be re-elected to serve consecutive terms.

In accordance with clause 111 of the Company's bye-laws, Mr. Chau On Ta Yuen and Mr. Chan Kin, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on page 9 of this annual report.

REPORT OF THE DIRECTORS (Continued)**DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the financial statements, no director had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Number of ordinary shares held and nature of interest			
	Personal	Family	Corporate	Other
Mr. Chan Chun Keung (note)	55,160,000	95,600,000	1,903,200,000	–

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Note: The 1,903,200,000 shares are all held through Century Enterprise Investments Inc. ("Century Enterprise"), a company incorporated in the British Virgin Islands (the "BVI"). Century Enterprise is beneficially owned by Mr. Chan Chun Keung, City Corner Limited ("City Corner") and a former director, Ms. Chan Hung, in the ratios of approximately 63.7%, 20.5% and 15.8%, respectively. City Corner is a company incorporated in the BVI with limited liability and whose entire issued share capital is beneficially held by two former directors, Mr. Poon Chak Keung and Mr. Pu Ziren, in equal proportions.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Company's directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS (Continued)

SHARE OPTION SCHEME

Due to the adoption of Hong Kong Statement of Standard Accounting Practice No. 34 “Employee benefits” during the year, the detailed disclosures relating to the Company’s share option scheme have been moved to note 26 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the section headed “Directors’ interests in shares” above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

PENSION SCHEME AND COSTS

Details of the Group’s pension scheme and the employer’s pension costs charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

In the opinion of the directors, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, at 31 March 2003.

CONNECTED TRANSACTIONS

Details of the connected transactions are included in note 32 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company. The members of the audit committee have reviewed the financial statements of the Group for the year ended 31 March 2003 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Chun Keung

Chairman

Hong Kong
24 July 2003