

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise the manufacture, trading and distribution of garments, operation of restaurant and food business and property investment and development.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 88.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year, payable to the shareholders on the register of members of the Company on 28 August 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

The table set out below summaries the published results, assets and liabilities of the Group.

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
RESULTS					
TURNOVER	597,267	641,453	1,005,073	1,153,223	1,003,064
PROFIT FROM OPERATING ACTIVITIES	52,184	56,868	73,216	73,835	65,361
Finance costs	(18,827)	(15,041)	(16,823)	(20,371)	(37,047)
Share of profits less losses of:					
Jointly-controlled entity	(596)	(993)	(768)	(844)	(1,458)
Associates	-	(3,953)	(13,973)	(13,251)	13,007
PROFIT BEFORE TAX	32,761	36,881	41,652	39,369	39,863
Tax	(4,918)	(4,483)	(10,808)	(13,138)	(18,731)
PROFIT BEFORE MINORITY INTERESTS	27,843	32,398	30,844	26,231	21,132
Minority interests	(1,118)	(1,402)	(4,113)	(5,620)	(5,211)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	26,725	30,996	26,731	20,611	15,921
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,335,962	1,370,187	1,172,956	1,274,844	1,349,783
TOTAL LIABILITIES	(557,399)	(612,346)	(425,449)	(536,760)	(593,361)
MINORITY INTERESTS	(26,662)	(28,562)	(28,295)	(42,838)	(35,438)
NET ASSETS	751,901	729,279	719,212	695,246	720,984

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 14 and 15, respectively, to the financial statements. Further details of the Group's investment properties are set out on page 89.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 30 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the provision of The Companies Act 1981 of Bermuda, amounted to HK\$110,658,000. In addition, the Company's share premium account, in the amount of HK\$464,592,000, may be distributed in the form of fully paid bonus shares.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Details of the Group's contingent liabilities and pledge of assets are set out in notes 33 and 36, respectively, to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$104,000 (2002: HK\$28,000).

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Ma Kai Cheung

Ma Kai Yum

Ng Yan Kwong

Non-executive Directors:

Lau Wong Fat*

Yip Hing Chung

Lo Ming Chi, Charles*

Yau Wing Keung* (appointed on 26 May 2003)

* *Independent non-executive directors*

In accordance with clause 99 of the Company's Bye-laws, Lau Wong Fat, will retire from office by rotation at the forthcoming annual general meeting. In view of other business commitments, Lau Wong Fat, though eligible, does not offer himself for re-election for the forthcoming annual general meeting.

In accordance with clause 102 (B) of the Company's Bye-laws, Yau Wing Keung retire from office, and being eligible, offer himself for re-election at the forthcoming annual general meeting.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES

Executive Directors

MA Kai Cheung, BBS, 61, is the Chairman and founder of the Group. He is a committee member of the Chinese People's Political Consultative Conference. He is the chairman of Shenzhen Overseas Chinese International Association, a Vice-President of the Foreign Investment Association in Shenzhen, Vice-President of Shenzhen General Chamber of Commerce and also a consultant of the Advisory Mission for Economic and Social Development of the People's Government of Yunnan Province. Mr Ma also serves as President of the Hong Kong & Kowloon Chiu Chow Public Association and Vice-Chairman of Chiu Chow Chamber of Commerce Limited. Mr Ma has more than 30 years' experience in the garment distribution and manufacturing business, over 18 years' experience in the restaurant business, and about 13 years' experience in property investment and development. He is responsible for the strategic planning and business development of the Group.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES (continued)

MA Kai Yum, 52, is Managing Director of the Group. He has been a Director of the Group for over 19 years since 1984 and has over 28 years' experience in the garment business. Mr Ma is responsible for the daily operations and administration and, together with Mr Ma Kai Cheung, for the strategic planning of the Group. Mr Ma also serves as a Director of the Chinese Manufacturers Association of Hong Kong and the Federation of Hong Kong Garment Manufacturers and is a member of Clothing Industry Training Authority. Mr Ma is a brother of Mr Ma Kai Cheung.

NG Yan Kwong, 42, is Executive Director, Chief Financial Officer and Company Secretary of the Group. He holds a Bachelor's degree in Commerce of the University of Newcastle in Australia and is a member of the Hong Kong Society of Accountants and the CPA Australia. Before joining the Group in 2000, Mr Ng was the finance director of an USA beverage company operated in China. Mr Ng has more than 10 years corporate and financial management experience with multinational consumer product companies in South East Asia and Greater China region. He also has substantial working experience in public accountancy practice with a major international accounting firm.

Non-executive Directors

Hon. LAU Wong Fat, GBS, JP, 66, is a member of the Legislative Council, Chairman of the Tuen Mun District Board, Chairman of the New Territories Heung Yee Kuk and a committee member of the Chinese People's Political Consultative Conference. He joined the Group in 1991.

YIP Hing Chung, BBS, MBE, JP, 81, is Chairman and Managing Director of Gemmy Development Company Limited and a director of a number of listed companies in Hong Kong. Mr Yip is a committee member of the Political Consultative Conference of Guangdong Province. He also serves as a President of the Hong Kong & Kowloon Chiu Chow Public Association, Honorary Permanent President of the Hong Kong Chiu Chow Chamber of Commerce Limited, Vice-President of the Chinese Manufacturers Association of Hong Kong and a member of the executive committee of the New Territories Heung Yee Kuk. Mr Yip is also a member of the First and Second Nominating Committee of the Special Administrative Region of Hong Kong, a committee member of the National Industrial and Commercial Association (Guangdong Province) and an Advisory Committee Member of The Special Economic Zone of Shantou. He joined the Group in 1994.

LO Ming Chi, Charles, JP, 53, is a member of the CPA Australia and a member of the Securities Institute of Australia. He serves as a director of a number of listed companies in Hong Kong. He has over 22 years of professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He joined the Group in 1991.

YAU Wing Keung, 43, has 20 years' extensive working experience in the banking and finance industry. Previously he had held key positions at various leading financial institutions and top investment banks in Hong Kong, Australia, Shanghai and Beijing. Mr Yau graduated from the University of Hong Kong with a Bachelor's Degree in Social Sciences.

Report of the Directors

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES (continued)

Senior Management

MA Nelson, 42, is Managing Director of Amica Fashion Company (Pty) Limited in South Africa. He is in charge of the Group's sales and production operations in South Africa. He has been serving the Group for more than 22 years after joining in 1980. He has over 20 years' experience in garment manufacturing and marketing.

MA Hung Ming, John, BBS, 36, is Managing Director of Carrianna Holdings Limited and is responsible for the Group's restaurant and property development operations. He graduated from the University of New York with a bachelor's degree in Business Management. He has extensive experience in the catering industry, as well as property management and development. He joined the Group in 1990. He is the son of Mr Ma Kai Cheung.

YUEN Wai Man, 46, is General Manager of the Group's Carrianna restaurants in the PRC. He has been serving the Group for 12 years since 1991. He has over 27 years' experience in restaurant operations and the catering industry.

WONG Michael, 47, is President of International Fashions Group Inc., the Group's subsidiary in Canada. He is in charge of the administration, merchandising and sale of garments in Canada. Mr Wong has been serving the Group for 10 years since he joined in 1993. He has over 25 years of garment manufacturing and merchandising experience.

KONG Sin Keung, Jack, 40, is Managing Director and business partner of Garment Division in Guatemala. He is in charge of the Group's sales and production operation in Guatemala. He has been serving the Group for 2 years after joining in 2001. He has over 10 years' experience in garment manufacturing and marketing.

DIRECTORS' SERVICE CONTRACTS

Ma Kai Cheung has service contract with the Company. The contract has no fixed term of engagement and is subject to termination by either party giving three months' notice in writing.

Ng Yan Kwong has service contract with the Company. The contract has no fixed term of engagement and is subject to retirement by rotation required by the Company's Bye-laws and termination by either party giving three months's notice in writing.

Ma Kai Yum had no service contract with the Company at the balance sheet date.

The non-executive directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' interests in the securities of the Company and its associated corporation" and in the share option scheme disclosures as set out in note 30 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

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

The Company

(a) Interests in shares

Name of director	Number of shares held and nature of interest			Total
	Personal interests	Family interests	Other interests	
Ma Kai Cheung	29,510,000	8,100,000 (note 1)	259,129,025 (note 2)	296,739,025
Ma Kai Yum	–	2,700,000 (note 3)	101,201,040 (notes 4 & 5)	103,901,040
Yip Hing Chung	1,770,000	–	–	1,770,000
Lo Ming Chi, Charles	30,000	–	–	30,000

(b) Interests in share options

Name of director	Number of options held as at 1 April 2002 (Note 6)	Number of options exercised during the year	Number of options outstanding as at 31 March 2003
Ng Yan Kwong	6,000,000	–	6,000,000

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (continued)

Notes:

- (1) The shares were owned by Cheung Lin Kiu, the spouse of Ma Kai Cheung.
- (2) Ma Kai Cheung and his family are the objects of a discretionary trust which effectively owns the entire issued share capital of Regent World Investments Limited ("Regent World") and 70% of the entire issued share capital of Bond Well Investments Limited ("Bond Well"). At the balance sheet date, Regent World owned 184,121,625 shares and Bond Well owned 75,007,400 shares of the Company.
- (3) The shares were owned by Kwok Kit Mei, the spouse of Ma Kai Yum.
- (4) Ma Kai Yum and his family are the objects of a discretionary trust which effectively owns the entire issued share capital of Grand Wealth Investments Limited ("Grand Wealth") and Peaceful World Limited ("Peaceful World"). At the balance sheet date, Grand Wealth owned 74,651,040 shares and Peaceful World owned 19,050,000 shares of the Company.
- (5) Peaceful World owns the entire issued share capital of Real Potential Limited ("Real Potential"). At the balance sheet date, Real Potential owned 7,500,000 shares of the Company. The interests of Real Potential in the Company are therefore deemed to be the interests of Peaceful World in which Ma Kai Yum is also deemed to have interests for the reason as stated in note 4 above.
- (6) All the share options were granted on 29 January 2001. The share options were exercisable at any time before the expiry date on 28 January 2004 at a price of HK\$0.16 per share.

Subsidiaries

Interests in shares

Name of subsidiaries	Name of directors	Number of shares held	Type of shares	Nature of shares held
Amica Development Limited	Ma Kai Yum	10,000	Ordinary	Personal
Carrianna Chiu Chow Restaurant (T.S.T.) Limited	Ma Kai Yum	15,000	Ordinary	Other
Carrianna Chiu Chow Restaurant (T.S.T.) Limited	Yip Hing Chung	100,000	Ordinary	Personal
Ginza Development Company Limited	Ma Kai Cheung	15	Ordinary	Personal

Report of the Directors

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (continued)

Name of subsidiaries	Name of directors	Number of shares held	Type of shares	Nature of shares held
Ginza Development Company Limited	Ma Kai Yum	18	Ordinary	Other
Ginza Development Company Limited	Yip Hing Chung	30	Ordinary	Personal
Gartrend Development Limited	Ma Kai Cheung	500,000	Non-voting deferred	Personal
Gartrend Development Limited	Ma Kai Yum	500,000	Non-voting deferred	Personal
Tak Sing Alliance Limited	Ma Kai Cheung	9,000	Non-voting deferred	Personal
Tak Sing Alliance Limited	Ma Kai Yum	1,000	Non-voting deferred	Personal

In addition to the above, Ma Kai Cheung and Ma Kai Yum have non-beneficial personal equity interests in certain associated corporation held for the benefit of the Group solely for the purpose of complying with their minimum company membership requirements.

Associated corporation

Interests in shares

Name of associated corporation	Name of directors	Number of ordinary shares held/ nature of interest
Carrianna (Thailand) Company Limited	Ma Kai Cheung	86,400/Corporate
Carrianna (Thailand) Company Limited	Ma Kai Yum	54,000/Corporate

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (continued)

Save as disclosed above, none of the directors, chief executives or their associates had, at the balance sheet date, any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Share Option Scheme

Due to the adoption of Statement of Standard Accounting Practice No.34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 30 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as detailed in note 37 to the financial statements, no director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

CONNECTED TRANSACTION

During the year, the following transaction of the Group had constituted connected transaction under the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Joint Venture Agreement With Luendan Enterprises Company Limited

Pursuant to a joint venture agreement dated 22 September 1997 ("Joint Venture Agreement"), which was entered into between Carrianna (Shenzhen) Investments Co., Ltd. ("Carrianna (Shenzhen)"), a wholly-owned subsidiary of the Company, and Luendan Enterprises Company Limited ("Luendan"), in which Mr Yip Hing Chung, a non-executive director of the Company, and his family own 80% of the equity interest, for the redevelopment of a building (now known as "Imperial Palace") in Shenzhen ("Redevelopment Project"), Luendan shares 20% of the rights and profits of the Redevelopment Project. Further details of the arrangement were set out in the press announcement on 23 September 1997. The Stock Exchange of Hong Kong Limited, on application by the Company, granted a waiver of strict compliance with the requirements of the Listing Rules in relation to this connected transaction subject to certain disclosure requirements.

In the opinion of the directors of the Company, this transaction had been conducted on normal commercial terms. The independent non-executive directors have confirmed that such transaction was entered into on normal commercial terms in the ordinary course of business of the Group and in accordance with the agreement governing this transaction.

The Joint Venture Agreement has already expired during the year pursuant to the terms set out therein and hence the connected transaction relating thereto.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Notes	Number of shares held	%
Regent World Investments Limited	(a)	184,121,625	25.13
Bond Well Investments Limited	(a)	75,007,400	10.24
Grand Wealth Investments Limited	(b)	74,651,040	10.19

Notes:

- (a) The interests of Regent World Investments Limited and Bond Well Investments Limited are duplicated in the disclosure of Ma Kai Cheung's interests in the Company's share capital under the section headed "Directors' interests in the securities of the Company and its Associated Corporations" set out above.
- (b) The interests of Grand Wealth Investments Limited are duplicated in the disclosure of Ma Kai Yum's interests in the Company's share capital under the section headed "Directors' interests in the securities of the Company and its Associated Corporations" set out above.

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at 31 March 2003, were directly or indirectly beneficially interested in 10% or more of the issued share capital of the Company.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended
31 March 2003

Customers

Percentage of turnover attributable to the Group's five largest customers	41.64%
Percentage of turnover attributable to the Group's largest customer	12.83%

Suppliers

Percentage of purchases attributable to the Group's five largest suppliers	31.06%
Percentage of purchases attributable to the Group's largest supplier	12.96%

None of the directors of the Company or any of their associates or any 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.

EMPLOYEES AND REMUNERATION POLICY

The Group's staff consists of approximately 220 employees in Hong Kong and approximately 4,200 employees outside Hong Kong. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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

AUDIT COMMITTEE

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee meets regularly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations. The audit committee comprises two independent non-executive directors of the Company.

Report of the Directors

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2003, the Group had outstanding bank and other borrowings of approximately HK\$346,683,000, cash and bank balances amounting to approximately HK\$105,477,000. Netting off pledged time deposits of HK\$31,813,000, the Group's net borrowings and available cash and bank balances were HK\$314,870,000 and HK\$73,664,000 respectively. Taking into account the availability of banking facilities, the directors believe that the Group has adequate cash resources to meet its commitments and working capital requirements.

Particular of the Group's interest-bearing bank and other borrowings are set out in notes 27 and 28 to the financial statements.

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

Ma Kai Yum
Managing Director

Hong Kong, 24 July 2003