

The directors have pleasure in presenting 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. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. 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 of the Group at that date are set out in the financial statements on pages 27 to 74.

The directors recommend the payment of a final dividend of HK0.6 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members on 25 September 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 22 September 2003 to Thursday, 25 September 2003 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2003 and for attending the forthcoming 2003 annual general meeting of the Company to be held on Thursday, 25 September 2003, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 September 2003.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, 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	579,652	459,059	334,440	265,525	214,091
Profit before taxation	24,525	43,614	50,313	39,524	21,427
Taxation	(2,793)	(6,015)	(8,192)	(6,330)	(3,039)
Minority interests	2,095	–	–	–	–
Net profit attributable to shareholders	23,827	37,599	42,121	33,194	18,388



SUMMARY FINANCIAL INFORMATION (continued)

Assets and liabilities

	At 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Total assets	615,548	410,523	286,108	152,684	150,517
Total liabilities	(264,113)	(166,932)	(149,032)	(112,422)	(122,709)
Minority interests	2,383	–	–	(2,782)	(2,782)
Shareholders' funds	353,818	243,591	137,076	37,480	25,026

Notes:

- (1) In September 2000, the Group disposed of its restaurant business, which was previously operated by a division of Sky Fox Investment Limited, a subsidiary of the Company, to an independent third party not connected with any of the directors, chief executives or their associates (the "Disposal").

The above summary of the combined results of the Group includes the results of the Company and its subsidiaries as if the Group Reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited and the Disposal had been completed at 1 April 1998, being the beginning of the five years presented. Accordingly, the summary of the combined results of the Group has been presented by excluding the operating results attributable to the restaurant business as if the restaurant business was disposed of at the beginning of the years presented, and by reversing the mortgage loan interest expenses in relation to the restaurant property in which the restaurant business was carried on.

- (2) The above summary of the combined assets, liabilities and minority interests of the Group has been presented on the basis as if the Group Reorganisation was completed as at 1 April 1998.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Group and of the Company during the year are set out in notes 11 and 12 respectively to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital and warrants during the year, together with the reasons therefor, are set out in note 27 to the financial statements.

Details of the Company's share option scheme are set out in note 28 to the financial statements. The directors do not consider that it is appropriate to disclose a theoretical value of the share options granted during the year because the directors opine that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance, input to the model, and certain inherent limitations of the model itself. The directors consider that such disclosure does not give additional value in view of the above mentioned limitations surrounding these models.

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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in note 29(a) to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to approximately HK\$34,653,000. In addition, the Company's share premium account in the amount of approximately HK\$139,985,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 52% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 13% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 14% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 4% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors of the Company nor any of their associates nor 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 any of the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Leung Ngok
Mr. Leung Shing
Mr. Li Chung Hing
Mr. Lee Ka Yiu, Andy

Independent non-executive directors:

Mr. Wang Pinqing
Mr. Wong Kong Hon
Mr. Wong Kai Cheong (appointed on 9 January 2003)



DIRECTORS (continued)

In accordance with clauses 86 and 87 of the Company's bye-laws, Mr. Li Chung Hing and Mr. Wong Kai Cheong will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the said meeting.

The directors of the Company, including the independent non-executive directors but excluding the chairman, Mr. Leung Ngok, and the managing director, Mr. Leung Shing, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws. The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive directors

Mr. Leung Ngok, aged 44, is the Chairman of the Company. He founded the Group in 1983 and is responsible for the overall strategic planning and formulation of corporate policies of the Group. Prior to the founding of the Group, Mr. Leung was a production manager of a garments retailing company. Mr. Leung has over 23 years of experience in the apparel manufacturing and distribution business. Mr. Leung is the elder brother of Mr. Leung Shing, an executive director.

Mr. Leung Shing, aged 41, is the Deputy Chairman and Managing Director of the Company and co-founder of the Group. Mr. Leung is responsible for the overall strategic planning, sales, retail and distribution operations as well as the business development and administration of the Group. Prior to the founding of the Group, Mr. Leung was a shop manager of a garments retailing company. Mr. Leung has over 23 years of experience in the retail services industry. Mr. Leung is the younger brother of Mr. Leung Ngok, an executive director.

Mr. Li Chung Hing, aged 44, is an Executive Director and is responsible for the Group's product design and development and merchandising management of the Group. He holds a diploma in Fashion and Clothing Manufacture from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) and has over 20 years of experience in design and merchandising management. Before joining the Group, Mr. Li held the position of chief designer in a listed textile company. Mr. Li joined the Group in 1991.

Mr. Lee Ka Yiu, Andy, aged 39, is an Executive Director and is responsible for the retail and distribution operations and market development of the Group. Mr. Lee joined the Group in 1995 and has over 13 years of experience in the retail services industry. Mr. Lee was a sales manager of a textile company in Hong Kong prior to joining the Group.

Independent non-executive directors

Mr. Wang Pinqing, aged 73, is an independent non-executive director of the Company. Mr. Wang was formerly the Vice Minister of The Ministry of Foreign Economic Relations and Trade of the PRC from 1982 to 1989.

Mr. Wong Kong Hon, aged 61, is an independent non-executive director of the Company. Mr. Wong is a member of the National People's Congress of China, the Vice-Chairman of Chinese General Chamber of Commerce and a Justice of Peace.

Mr. Wong Kai Cheong, aged 41, joined the Company in January 2003 as an independent non-executive director. Mr. Wong is a practising accountant in Hong Kong with more than 18 years of experience in auditing, corporate finance and consultancy. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Society of Accountants.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (continued)

Senior Management

Mr. Chui Chi Keung, Raymond, aged 43, is the Deputy Chief Executive Officer of the Company, primarily responsible for corporate management and business development. Mr. Chui joined the Group in 2002. He holds both an MBA degree and a Bachelor of Commerce degree from the University of Toronto, Canada. He is a member of the Canadian Institute of Chartered Accountants since 1989. Mr. Chui has over 16 years of experience in the areas of corporate finance, project finance, private equity investments and corporate banking.

Mr. Ng Chi Yin, aged 37, is the Financial Controller and the Secretary of the Company. Mr. Ng is responsible for the accounting and financial control functions of the Group. He joined the Group in 1999. Mr. Ng holds a bachelor degree in Business Administration majoring in Accounting from the Chinese University of Hong Kong. Before joining the Group, Mr. Ng worked in an international accounting firm and has over 11 years of experience in auditing, accounting and finance. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Society of Accountants.

Ms. Ng Ka Pui, Leola, aged 40, is the Group Human Resources Manager and responsible for development, management and training of human resources within the Group. Ms Ng joined the Group in 2002 and holds a MBA degree from the University of Portsmouth, United Kingdom and a bachelor degree in Business Administration from the University of Hertfordshire, United Kingdom. Before joining the Group, she was the Head of Human Resources in both listed and large size companies with more than 10 years of experience in human resources management.

Ms. Cheung Wai Yu, aged 31, is the Group Administration Manager and responsible for office administration and internal support. Ms. Cheung holds a bachelor degree in Industry Economics from Tam Kang University, Taiwan and joined the Group in 1996. Ms. Cheung worked for the retail operations department of a British conglomerate prior to joining the Group.

Ms. Cheung Mei Hing, aged 34, is the Operations Director of Hong Kong retail business. She holds a Diploma in Retail Management from the Hong Kong Management Association. Ms. Cheung joined the Group in 2001 and had previously held senior position in a leading fashion chain store group with more than 15 years of experience in retail operation and management.

Mr. Luk Wai Sing, aged 49, is the Manager of the Group's Swedish Texcote Technology - China Business. Mr. Luk joined the Group in 2000, and has over 30 years of experience in garment production and procurement.

Mr. Low John Meng, aged 38, is the Group's Corporate Investment Manager and responsible for developing new investment projects. Mr. Low joined the Group in 2002 and holds a bachelor degree in Economics from the Macquarie University, Australia. He has over 13 years of experience in banking and finance.

Mr. Lui Yung Fai Samuel, aged 33, is the Group's Corporate Development Manager and responsible for the management of new business. Mr. Lui joined the Group in 2001 and holds a bachelor degree in Actuarial Science and Economics from the University of Toronto, Canada. He had previously worked in the banking field with more than 9 years of relevant experience.



DIRECTORS' SERVICES CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 November 2000 and shall automatically continue for successive terms of one year upon expiry unless terminated by either party giving not less than six months' notice in writing to the other party.

Save as disclosed above, 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 other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in note 31(a) to the financial statements, no director of the Company had a significant beneficial 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 SECURITIES

At 31 March 2003, the interests of the directors and their associates in the securities of the Company, as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Name of director	Type of interest	Number of shares held	Number of warrants held
Mr. Leung Ngok (<i>Note</i>)	Corporate/Family	566,275,000	Nil
Mr. Leung Shing (<i>Note</i>)	Corporate/Family	566,275,000	Nil

Note: These shares are owned by ACE Target Inc. as trustee of The Target Unit Trust, a unit trust of which 51% of the units in issue are owned by Ansbacher (BVI) Limited, as trustee of The Leung Ngok Family Trust, a discretionary trust of which the objects include Mr. Leung Ngok's family members, and of which 49% of the units in issue are owned by Ansbacher (BVI) Limited, as trustee of The Leung Shing Family Trust, a discretionary trust of which the objects include Mr. Leung Shing's family members. The issued share capital of ACE Target Inc. is held by Mr. Leung Ngok and Mr. Leung Shing in the proportions of 51% and 49% respectively.

In addition to the above, certain directors hold shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the Register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

No share options were exercised by any of the directors during the year.

Apart from as disclosed under the heading "Directors' Interests in Securities" above and under the heading "Share Option Scheme" in note 28 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, or chief executives or their spouses 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 corporates.

SUBSTANTIAL SHAREHOLDERS

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

Name	Number of shares held	Percentage of the Company's share capital
ACE Target Inc. (Note)	566,275,000	51.17%
Ansbacher (BVI) Limited (Note)	566,275,000	51.17%

Note: This interest has also been disclosed as "Corporate/Family interests" of Mr. Leung Ngok and Mr. Leung Shing, in the section headed "Directors' Interests in Securities" above where details of ACE Target Inc. and Ansbacher (BVI) Limited are given.

Save as disclosed above, at 31 March 2003, no other party had registered an interest in the share capital of the Company as recorded in the Register of Interests required to be kept under Section 16(1) of the SDI Ordinance.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises Mr. Wang Pinqing, Mr. Wong Kong Hon and Mr. Wong Kai Cheong, who are the independent non-executive directors of the Company. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements in respect of the six months ended 30 September 2002 and the audited financial statements for the year ended 31 March 2003, and discussed with the directors the internal control and financial reporting matters.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.



AUDITORS

On 30 April 2003, Ernst & Young resigned as the Company's auditors and RSM Nelson Wheeler were appointed by the directors as auditors of the Company to fill the casual vacancy so arising. There were no other changes in auditors during the past three years.

RSM Nelson Wheeler retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Leung Ngok

Chairman

Hong Kong, 30 July 2003