

The directors submit herewith their annual report together with the audited financial statements for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are manufacturing, retailing and distribution of apparel.

An analysis of the Group's revenue and contribution to results by geographical area of customers for the financial year is set out in note 4 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2003 are set out in note 14 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 30 June 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 20 to 55.

DIVIDENDS AND RESERVES

The directors do not recommend the payment of any dividend for the year ended 30 June 2003 (2002: HK\$Nil).

Movements in reserves during the year are set out in note 21 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers combined did not exceed 30% of the Group's total turnover for the year ended 30 June 2003.

The Group's five largest suppliers combined did not exceed 30% of the Group's total purchases for the year ended 30 June 2003.

FIXED ASSETS

Additions to the Group's fixed assets for the year amounted to HK\$18,007,000 (2002: HK\$8,193,000). Details of additions to and other movements of fixed assets during the year are set out in note 11 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2003 are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements of share capital of the Company during the year are set out in note 20 to the financial statements.

DIRECTORS

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

Executive directors

- Tan Sim Chew, *Chairman*
- Chen Miao Zhu, *Managing Director*
- Fu Zi Cong
- Lo King Fat, *Lawrence*

Independent non-executive directors

- Wong Kwai Sang, *Kays* (appointed on 3 July 2002)
- Tsang Chun Pong (appointed on 20 July 2002)
- Yeung Chi Wai, *Jason* (resigned on 3 July 2002)
- Yu Chor Woon, *Carol* (resigned on 20 July 2002)

In accordance with the Company's Articles of Association, Tan Sim Chew and Fu Zi Cong shall retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of directors are set out in pages 9 to 10.

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.

The service contracts of the existing independent non-executive directors, Wong Kwai Sang, Kays and Tsang Chun Pong, cover a term of 3 years commencing on 3 July 2002 and 20 July 2002 respectively. Their remuneration is determined by the board of directors on the anniversary of the date of their appointment.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2003, the interest of directors in the shares of the Company as recorded in the register maintained under section 352 of the Securities and Future Ordinance ("SFO") were as follows:

	Number of ordinary shares of HK\$0.01 each			Percentage
	Personal interest	Corporate interest	Total interest	of total issued shares at 30 June 2003
Tan Sim Chew	137,590,226	71,515,000*	209,105,226	21.74
Chen Miao Zhu	6,500,000	71,515,000*	78,015,000	8.11
Fu Zi Cong	574,000	-	574,000	0.06

* These 71,515,000 shares are owned by Crimson International Limited. Tan Sim Chew and Chen Miao Zhu are beneficial shareholders of 60% and 40% respectively of the issued share capital of Crimson International Limited. Accordingly, each of Tan Sim Chew and Chen Miao Zhu is deemed to be interested in these 71,515,000 shares owned by Crimson International Limited.

Save as disclosed herein, as at 30 June 2003 and the share options held by the directors as disclosed below, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

Pursuant to a written resolution passed on 5 May 1997, a share option scheme ("Share Option Scheme") for employees was approved and the directors may, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board which will not be less than 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher. To comply with the relevant rules of the Stock Exchange, which came into effect on 1 September 2001, options will be granted in the future at a price determined by the Board which will be the higher of

- (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted (together with shares in respect of which any options remain outstanding) under the Share Option Scheme of the Company may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Share Option Scheme.

No option may be granted to any one employee which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and remaining issuable to him or her under the Share Option Scheme, would exceed 25% of the aggregate number of shares for the time being issued and are issuable under the Share Option Scheme. To comply with the relevant listing rules of the Stock Exchange, unless approved by shareholders in the manner set out in the listing rules, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

The exercisable period of an option should not exceed a period of three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three year period.

The Share Option Scheme will remain in force for a period of 10 years commencing on 5 May 1997.

SHARE OPTION SCHEME *(continued)*

At 30 June 2003, the following persons, being directors and a senior executive, had the following personal interests in options to subscribe for shares of the Company granted at nominal consideration. Each share option entitles the holder to subscribe for one share of HK\$0.01 each in the Company.

Directors	No. of options outstanding at 1 July 2002 and 30 June 2003	Date Granted	Period during which options are exercisable	Subscription price per share HK\$	Percentage of total issued shares at 30 June 2003
Tan Sim Chew	6,611,000	23 February 2000	24 August 2000 to 23 August 2003	0.4496	0.69
	2,700,000	31 January 2001	1 August 2001 to 31 July 2004	0.1600	0.28
Chen Miao Zhu	6,611,000	23 February 2000	24 August 2000 to 23 August 2003	0.4496	0.69
	2,700,000	31 January 2001	1 August 2001 to 31 July 2004	0.1600	0.28
Lo King Fat, Lawrence	1,900,000	31 January 2001	1 August 2001 to 31 July 2004	0.1600	0.20
Fu Zi Cong	6,611,000	23 February 2000	24 August 2000 to 23 August 2003	0.4496	0.69
	2,500,000	31 January 2001	1 August 2001 to 31 July 2004	0.1600	0.26
Senior Executive					
Chan Yiu Kuen, Holfred	1,400,000	31 January 2001	1 August 2001 to 31 July 2004	0.1600	0.15

No share options were granted, exercised, cancelled or lapsed during the year.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2003, the persons having an interest in 5% or more of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the Part XV of SFO were as follows:

	Number of ordinary shares interested	Percentage of total issued shares
Tan Sim Chew	209,105,226 (<i>note 1</i>)	21.74
Chen Miao Zhu	78,015,000 (<i>note 2</i>)	8.11
Crimson International Limited	71,515,000 (<i>note 3</i>)	7.43

Notes:

1. These 209,105,226 shares interested by Tan Sim Chew comprises 137,590,226 shares held by him personally and 71,515,000 shares held by Crimson International Limited.
2. These 78,015,000 shares interested by Chen Miao Zhu comprises 6,500,000 shares held by her personally and 71,515,000 shares held by Crimson International Limited.
3. These 71,515,000 shares are owned by Crimson International Limited. Tan Sim Chew and Chen Miao Zhu are beneficial shareholders of 60% and 40% respectively of the issued share capital of Crimson International Limited. Accordingly, each of Tan Sim Chew and Chen Miao Zhu is deemed to be interested in these 71,515,000 shares owned by Crimson International Limited.

Save as disclosed herein, no other person was recorded in the register of interests and short positions maintained under section 336 of Part XV of the SFO as having an interest of in 5% or more of the issued share capital of the Company as at 30 June 2003.

DIRECTORS' INTERESTS IN CONTRACTS

At 30 June 2002, the Group had bank loans totalling HK\$2,554,000 secured by certain properties owned by Chen Miao Zhu. In September 2003, the Group repaid the bank loans and the corresponding security was released accordingly.

Except for the above, no other contracts 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, subsisted at the end of the year or at any time during the year.

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

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

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 56.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under Companies Law in the Cayman Islands.

PENSION SCHEMES

The Group implements the Mandatory Provident Fund scheme for its employees in Hong Kong, under which the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000.

For employees of certain subsidiaries who were employed via the Xiamen Labour Services Company ("XLSC"), the Group is required to pay monthly contributions, being a certain percentage of monthly payroll costs, for each employee to XLSC. The Group's other employees are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme.

Contributions paid in respect of retirement benefits for the year totalled HK\$548,000 (2002: HK\$387,000).

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

To comply with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 of the Listing Rules, the Company set up an audit committee ("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.

REPORT OF THE DIRECTORS

AUDITORS

The incumbent auditors, BDO International, will retire at the forthcoming annual general meeting of the Company and will practise under the name of BDO McCabe Lo & Company in the forthcoming year. Accordingly, a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO McCabe Lo & Company as auditors of the Company.

By order of the Board

Tan Sim Chew

Chairman

Hong Kong, 10 October 2003