

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the period from 1 April 2003 to 31 December 2003 (the “Period”).

CHANGE OF FINANCIAL YEAR END DATE

The Company changed its financial year end from 31 March to 31 December with effect from 25 August 2003. The current accounting period covers a period of nine months from 1 April 2003 to 31 December 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 Fujian Province, in the People’s Republic of China (the “PRC”). There were no significant changes in the nature of the Group’s principal activities during the Period.

RESULTS AND DIVIDENDS

The Group’s profit for the Period and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 19 to 66.

The directors do not recommend the payment of any dividend in respect of the Period.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the Period are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company’s share capital and share options during the Period, together with the reasons therefor, are set out in notes 25 and 26, respectively, 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.

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PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In October 2003, the Company repurchased 5,000,000 of its ordinary shares of HK\$0.01 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the price of HK\$0.02 per share. The total purchase consideration was HK\$100,000.

The repurchased shares were cancelled during the Period and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$50,000 has been debited to the share premium account. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the Period was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Further details of these transactions are set out in note 25(a) to the financial statements. Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$751,000 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\$150,321,000 at 31 December 2003, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the Period 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 59% of the Group's total sales for the Period. The amount of sales to the Group's largest customer included therein represented approximately 47%.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 84% of the Group's total purchases for the Period. The amount of purchases from the Group's largest supplier included therein represented approximately 37%.

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MAJOR CUSTOMERS AND SUPPLIERS (Continued)

As far as the directors are aware, neither the directors, their associates nor their 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 Period.

DIRECTORS

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

Executive directors:

Mr. Chan Chun Keung

Mr. Chau On Ta Yuen

Mrs. Judy Leissner

Mr. Lam Chung Chak

Mr. Chan Kin

Mr. Li Wan Luk

(appointed on 3 November 2003)

Independent non-executive directors:

Mr. Dominic Lai

Mr. Chan Kam Man

Subsequent to the balance sheet date, on 31 March 2004, Mr. Chan Lai Yin, Tommy was appointed as an executive director of the Company. On the same day, Mr. Dominic Lai and Mr. Chan Kam Man resigned as independent non-executive directors of the Company. On 21 April 2004, Mr. Chan Kin Sang, Mr. Ng Wing Hang, Patrick and Mr. Wong Wai Kong were appointed as independent non-executive directors of the Company.

In accordance with clause 111 of the Company's bye-laws, Mrs. Judy Leissner and Mr. Lam Chung Chak will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In addition, pursuant to bye-law 115, Mr. Li Wan Luk and Mr. Chan Lai Yin, Tommy, being directors appointed after the Company's annual general meeting held on 25 August 2003, and Mr. Chan Kin Sang, Mr. Ng Wing Hang, Patrick and Mr. Wong Wai Kong, being independent non-executive directors appointed after the Company's annual general meeting held on 25 August 2003, will hold office only until the forthcoming annual general meeting and shall be eligible for re-election at the forthcoming annual general meeting.

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DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 8 to 9 of this annual report.

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 directly or indirectly, 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 Period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Mr. Chan Chun Keung	2,758,000	7,754,250	95,160,000*	105,672,250	28.1

* The 95,160,000 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 ("Mr. Chan"), 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.

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

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

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.

Long positions in shares of an associated corporation

Name of director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Chan Chun Keung	Concade Assets Limited	Associate	Ordinary shares	6,582,400	Through controlled corporations	55

Note: Concade Assets Limited is owned as to 23% by For Good Investments Limited ("For Good"), 16% by Splendour Investments Limited ("Splendour") and 16% by Halligan Profits Limited ("Halligan"). For Good, Splendour and Halligan were incorporated in the BVI and beneficially owned by Mr. Chan.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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 Period 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 minor children, 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.

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2003, the following interests of 5% 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 336 of the SFO:

Long positions

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Kwok Tat Kwong	Directly beneficially owned	42,578,416	11.3
Zaleski Helene	Directly beneficially owned	24,000,000	6.4
Blowin Limited [#]	Directly beneficially owned	37,586,280	10.0
Tanagra Holding B.V. [#]	Through a controlled corporation	37,586,280	10.0
Zygmunt Zaleski Stichting (Dutch Foundation) [#]	Through a controlled corporation	37,586,280	10.0

[#] Blowin Limited, a company wholly-owned by Tanagra Holding B.V. ("Tanagra"), held 37,586,280 ordinary shares of the Company. Tanagra is a wholly-owned subsidiary of Zygmunt Zaleski Stichting (Dutch Foundation).

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 Period 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 December 2003.

CONNECTED TRANSACTIONS

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

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PRACTICE NOTE 19 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE “LISTING RULES”)

In accordance with the requirements of paragraph 3.2.1 of Practice Note 19 of the Listing Rules, the directors report the details of advances to United Force Development Limited (“United Force”), a jointly-controlled entity of the Group, as follows:

	HK\$'000
At 1 April 2003	17,025
Advances during the Period	30,247
At 31 December 2003	47,272

The advances to United Force are unsecured, interest-free and have no fixed terms of repayment. The advances represented investments made by the Group to finance United Force’s capital contribution to its subsidiary.

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 Listing Rules, throughout the accounting period covered by the annual report, except in relation to guideline 7, where the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company.

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 three independent non-executive directors of the Company. The members of the audit committee have reviewed the financial statements of the Group for the period from 1 April 2003 to 31 December 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.



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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

27 April 2004