

Report of the Directors

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 2004.

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 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 29 to 78.

The directors of the Company recommended the payment of a final dividend of HK1.5 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 28 September 2004. Together with the interim dividend of HK1 cent per ordinary share paid on 20 February 2004, the Company's total dividends amount to HK2.5 cents per ordinary share in respect of the year ended 31 March 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 September 2004 to 28 September 2004 (both dates inclusive), during which period no transfer of shares of the Company will be registered and no shares of the Company will be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2004 and for attending the annual general meeting of the Company to be held on 28 September 2004, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms and, in the case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 September 2004.

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				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	739,677	579,652	459,059	334,440	265,525
Profit before taxation	137,116	24,525	43,614	50,313	39,524
Taxation	(10,832)	(2,793)	(6,015)	(8,192)	(6,330)
Minority interests	(12,412)	2,095	-	-	-
Net profit attributable to shareholders	113,872	23,827	37,599	42,121	33,194



SUMMARY FINANCIAL INFORMATION (continued)

Assets and liabilities

	At 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	919,485	615,548	410,523	286,108	152,684
Total liabilities	(346,785)	(264,113)	(166,932)	(149,032)	(112,422)
Minority interests	(10,536)	2,383	–	–	(2,782)
Shareholders' funds	562,164	353,818	243,591	137,076	37,480

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, share options and warrants during the year, together with the reasons therefor, are set out in notes 24 and 25 to the financial statements.

Details of the Company's share option scheme are set out in note 25 to the financial statements. The directors of the Company 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 of the Company 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 26 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to approximately HK\$44,756,000. In addition, the Company's share premium account in the amount of approximately HK\$223,033,000 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 49% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 12% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 35% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 16% 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. Lee Ka Yiu, Andy
Mr. Li Chung Hing (resigned on 3 April 2004)

Independent non-executive directors:

Mr. Wang Pinqing
Mr. Wong Kong Hon
Mr. Wong Kai Cheong



DIRECTORS (continued)

In accordance with clause 87 of the Company's bye-laws, Mr. Wong Kong Hon will retire at the forthcoming annual general meeting and, being eligible, offer himself 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, 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 45, 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 24 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 42, is the Deputy Chairman 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 24 years of experience in the retail services industry. Mr. Leung is the younger brother of Mr. Leung Ngok, an executive director.

Mr. Lee Ka Yiu, Andy, aged 40, is an executive director of the Company 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 14 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 74, 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 62, 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 42, joined the Company in January 2003 as an independent non-executive director of the Company. Mr. Wong is an accountant practising in Hong Kong with more than 19 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 44, is the Deputy Chief Executive Officer of the Company, primarily responsible for 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 17 years of experience in the areas of corporate finance, project finance, private equity investments and corporate banking.

Mr. Ng Chi Yin, aged 38, 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 12 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.

Mr. Low John Meng, aged 39, is the Group's Corporate Development 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 14 years of experience in banking and finance.

Ms. Ng Ka Pui, Leola, aged 41, is the Group's 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 an 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 11 years of experience in human resources management.

Mr. Lui Yung Fai Samuel, aged 34, is the Group's Investment Management Manager and responsible for the management of investment 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 10 years of relevant experience.

Mr. Liu Chi Chung, David, aged 37, is the Group's Training Manager and responsible for training of staff of the Group and its sales outlets. Mr. Liu joined the Group in 2002. He holds a master degree in Management from the Macquarie University, Australia. He has over 10 years of experience in retail operation and training.

Ms. Cheung Wai Yu, aged 32, is the Group's Administration Manager and responsible for office administration. 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.

Mr. Ke Hai Yuan, aged 51, is the Manager of the Group's Apparel Business in China, responsible for the apparel operations in China. Mr. Ke joined the Group in 2003. He holds a master degree in Business Administration from University of Management and Technology, United States and has over 12 years of operational management experience in the fashion business in China. Prior to joining the Group, he was General Manager of Hua Xin Group's China apparel business where he spent six years in building up its house brands from scratch to the top of the female fashion market in China.

Ms. Cheung Mei Hing, aged 35, is the Manager of the Group's Apparel Business in Hong Kong. She holds a Diploma in Retail Management from the Hong Kong Management Association. Ms. Cheung joined the Group in 2001 and had previously held a retail management position in a leading fashion group with more than 16 years of experience in retail operation and management.



DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (continued)

Senior Management (continued)

Mr. Ding Yi, aged 42, is the Chief Representative of the Beijing Representative office of the Group's Swedish Texcote Technology Business, responsible for sales and marketing of Texcote Technology in China. Mr. Ding joined the Group in 2002. He holds both a bachelor degree and master degree in Science from Tongji University. He has over 13 years of experience in business development and corporate management.

Mr. Luk Wai Sing, aged 50, is the Manager of the Group's Swedish Texcote Technology - China Business, responsible for operations and production management of Texcote Technology in China. Mr. Luk joined the Group in 2000, and has over 30 years of experience in garment production and procurement.

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 28(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 SHARES

At 31 March 2004, the interests of the directors of the Company in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 ("Model Code"), were as follows:

(A) Interests in shares of the Company

Name	Long/short position	Capacity	Number of shares of the Company interested	Percentage of issued share capital
Mr. Leung Ngok	Long	Beneficial owner	60,014,000	4.14%
	Long	Founder of a discretionary trust	566,275,000 (Note)	39.02%
Mr. Leung Shing	Long	Founder of a discretionary trust	566,275,000 (Note)	39.02%

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 Trident Corporate Services (B.V.I.) Limited (formerly "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 Trident Corporate Services (B.V.I.) Limited as trustee of The Leung Shing Family Trust, a discretionary trust of which the objects include Mr. Leung Shing's family member.

Accordingly, Mr. Leung Ngok, as founder of The Leung Ngok Family Trust and Mr. Leung Shing, as founder of The Leung Shing Family Trust were deemed to be interested in the shares owned by ACE Target Inc. in its capacity as the trustee of The Target Unit Trust under Part XV of the SFO.

(B) Interests in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Long/short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the issued share capital of the Company
Mr. Leung Ngok	Long	Beneficial owner	12,800,000 (Note)	0.88%
Mr. Leung Shing	Long	Beneficial owner	12,800,000 (Note)	0.88%
Mr. Lee Ka Yiu, Andy	Long	Beneficial owner	12,800,000 (Note)	0.88%

Note: Details of the above share options as required to be disclosed by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") have been disclosed under the section headed "Share Option Scheme" in note 25 to the financial statements.



DIRECTORS' INTERESTS IN SHARES (continued)

In addition to the above, as at 31 March 2004, certain directors of the Company held 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, as at 31 March 2004, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' Interests in Shares" above and under the heading "Share Option Scheme" in note 25 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' INTERESTS

As at 31 March 2004, the following interests of 5% or more in the shares and underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

(A) Interests in shares of the Company

Name of substantial shareholder	Long/short position	Capacity	Number of shares of the Company		Percentage of issued share capital
			interested	Note	
ACE Target Inc.	Long	Trustee	566,275,000	(1)	39.02%
Trident Corporate Services (B.V.I.) Limited (formerly "Ansbacher (BVI) Limited")	Long	Trustee	566,275,000	(1)	39.02%
Ms. Yim Yuk Lam	Long	Interest of spouse	626,289,000	(2)	43.15%
Ms. Tong Sau Kan	Long	Interest of spouse	566,275,000	(3)	39.02%

Notes:-

- (1) Such interest was also disclosed as the interest of Mr. Leung Ngok and Mr. Leung Shing in the above section headed "Directors' interests in shares".
- (2) Ms. Yim Yuk Lam was deemed to be interested in the 626,289,000 shares of the Company through interest of her spouse, Mr. Leung Ngok.
- (3) Ms. Tong Sau Kan was deemed to be interested in the 566,275,000 shares of the Company through interest of her spouse, Mr. Leung Shing.

SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

(B) Interests in underlying shares of the Company

Name of substantial shareholder	Long/short position	Capacity	Number of underlying shares in respect of the share options granted	Note	Percentage of the underlying shares over the issued share capital of the Company
Ms. Yim Yuk Lam	Long	Interest of spouse	12,800,000	(1)	0.88%
Ms. Tong Sau Kan	Long	Interest of spouse	12,800,000	(2)	0.88%

Notes:

- (1) Ms. Yim Yuk Lam was deemed to be interested in the 12,800,000 share options of the Company through interest of her spouse, Mr. Leung Ngok. Details of the above share options as required to be disclosed by the Listing Rules have been disclosed under the section headed "share option scheme" in note 25 of the financial statement.
- (2) Ms. Tong Sau Kan was deemed to be interested in the 12,800,000 share options of the Company through interest of her spouse, Mr. Leung Shing. Details of the above share options as required to be disclosed by the Listing Rules have been disclosed under the section headed "share option scheme" in note 25 of the financial statement.

Save as disclosed above, as at 31 March 2004, no persons, other than the directors of the Company whose interests are set out in the above section headed "Directors' interests in shares", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code 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 2003 and the audited financial statements for the year ended 31 March 2004, and discussed with the directors the internal control and financial reporting matters.



POST BALANCE SHEET DATE EVENTS

Details of the significant post balance sheet date events of the Group are set out in note 32 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, 12 July 2004