

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and export of cotton based knitted garments for women, children and infants, bleaching and dyeing, and property investments.

RESULTS

The results of the Group are set out in the consolidated income statement on page 15.

No interim dividend was paid during the year ended 31 March 2004. The directors now recommend the payment of a final dividend of 0.5 HK cent per share, which in aggregate amounts to approximately HK\$6,618,000, in respect of the year ended 31 March 2004 to the shareholders whose names appear on the register of members of the Company on 23 August 2004. The directors' recommendation as to the payment of a final dividend will be subject to the due fulfilment of certain conditions, details of which are set out in note 16 to the financial statements. Subject to the fulfilment of these conditions, the directors expect that the dividend warrants will be despatched to the shareholders on or before 30 September 2004.

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 32% and 64%, respectively, of the Group's purchases for the year under review.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 19% and 41%, respectively, of the Group's turnover for the year under review.

None of the directors, their associates or any shareholder which, to the knowledge of the directors, owns more than 5% of the Company's share capital has a beneficial interest in the Group's five largest suppliers or customers.

SHARE CAPITAL

The details of the Company's share capital are set out in note 34 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$17.5 million on acquisition of property, plant and equipment. The details of the movements in property, plant and equipment of the Group during the year are set out in note 19 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 March 2004 by a firm of independent professional property valuers and the resulting surplus of HK\$42,500,000 was credited to the consolidated income statement to reverse deficit previously charged. Details of these are set out in note 20 to the financial statements.

REPORT OF THE DIRECTORS

PRINCIPAL SUBSIDIARIES

The details of the Company's principal subsidiaries at 31 March 2004 are set out in note 47 to the financial statements.

PRINCIPAL ASSOCIATES

The details of the Group's principal associates at 31 March 2004 are set out in note 23 to the financial statements.

DIRECTORS

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

Executive directors:

| | |
|---------------|---|
| Koon Wing Yee | (President and Chief Executive Officer) |
| Tsang Yiu Kai | (Vice President) |
| Lui Yuk Chu | |

Independent non-executive directors:

| | |
|-----------------------|-------------------------------|
| Wong Sui Wah, Michael | |
| Pun Hei, Hectar | (appointed on 1 January 2004) |
| Chan Chi Chung | (resigned on 1 January 2004) |

In accordance with the Company's Bye-laws 101, Mr. Pun Hei, Hectar shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offers himself for re-election.

In accordance with the Company's Bye-laws 110, Mr. Wong Sui Wah, Michael (who has been longest in office since his last election) retires by rotation and, being eligible, offers himself for re-election.

None of the directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation). The independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

The independent non-executive directors have reviewed the connected transactions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) as set out in note 18 to the financial statements, and confirmed that these transactions had been transacted on normal commercial terms and in the ordinary course of business of the Group.

The Group made advances to Asia Alliance Holdings Limited ("Asia Alliance") (formerly known as i100 Limited) to finance its operation. Such advances were unsecured, bore interest at prime rate and were repaid in full during the year. Interest paid by Asia Alliance during the year amounted to HK\$1,348,637. Asia Alliance was formerly a non wholly-owned subsidiary and became an associate of the Group during the year.

REPORT OF THE DIRECTORS

The Group also made advances to Mary Mac Apparel, Inc. ("Mary Mac") to finance its operation. Such advances are unsecured, bear interest at 5% per annum and are repayable on demand. Mary Mac was formerly a non wholly-owned subsidiary and became a wholly-owned subsidiary during the year.

The Group conditionally agreed to sell the entire issued shares of Po Cheong International Enterprises Limited ("Po Cheong"), a wholly-owned subsidiary of the Company, to a wholly-owned subsidiary of Asia Alliance at a consideration of HK\$65,000,000. Po Cheong, together with its subsidiary, is principally engaged in the business of bleaching and dyeing.

Save as disclosed above, there was no other contract 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, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

As at 31 March 2004, the interests and short positions of the directors and the chief executives of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under 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 (the "Model Code") were as follows:

(a) Interests in the Company (long positions):

| Name of director | Capacity | Number of ordinary shares held | Approximate percentage to issued ordinary shares of the Company |
|-------------------------------------|------------------------|--------------------------------|---|
| Mr. Koon Wing Yee (<i>note 1</i>) | Interest of spouse | 324,216,452 | 36.74% |
| Ms. Lui Yuk Chu (<i>note 1</i>) | Beneficiary of a trust | 324,216,452 | 36.74% |
| Mr. Tsang Yiu Kai | Beneficial owner | 98,175 | 0.01% |

Note 1: The 324,216,452 shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 324,216,452 shares by virtue of the SFO.

REPORT OF THE DIRECTORS

(b) Interests in associated corporations (long positions):

Asia Alliance

| Name of director | Capacity | Number of ordinary shares held | Approximate percentage to issued ordinary shares of Asia Alliance |
|-------------------------------------|------------------------|--------------------------------|---|
| Mr. Koon Wing Yee (<i>note 2</i>) | Interest of spouse | 128,259,324 | 35.93% |
| Ms. Lui Yuk Chu (<i>note 2</i>) | Beneficiary of a trust | 128,259,324 | 35.93% |

Note 2: These shares were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 128,259,324 shares by virtue of the SFO.

Wellmake Investments Limited (“Wellmake”) (*note 3*)

| Name of director | Capacity | Number of non-voting deferred share held | Percentage to issued non-voting deferred shares of Wellmake |
|-------------------|------------------|--|---|
| Mr. Koon Wing Yee | Beneficial owner | 1 | 50% |
| Ms. Lui Yuk Chu | Beneficial owner | 1 | 50% |

Note 3: All the issued ordinary shares which carry the voting rights in the share capital of Wellmake were held by the Company.

Save as disclosed above, as at 31 March 2004, none of the directors or chief executives of the Company or their respective associates had any interests or short positions 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) which had been recorded in the register 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.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme and movements of options granted during the year are set out in note 35(a) to the financial statements.

The closing price of the Company's shares on 15 February 2004, being the trading day immediately before the date of offer of the options set out in note 35(a) to the financial statements, was HK\$0.143.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year because of the absence of a readily available market value of the share options on the shares of the Company. Accordingly, the directors were unable to arrive at any assessment of the value of these share options.

No options were granted to, or exercised by, the directors during the year. There was no outstanding option granted to the directors at the beginning and at the end of the year.

The total number of shares available for issue under the Company's share option scheme as at the date of this report is 132,367,338, representing approximately 10% of the issued share capital of the Company as at that date.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or the spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures), of the Company or any other body corporate, or had any right to subscribe for the securities or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the persons (other than the directors or the chief executives of the Company) who 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 by the Company under Section 336 of the SFO were as follows:

Long positions:

| Name of substantial shareholder | Capacity | Number of ordinary shares held | Approximate percentage to issued ordinary shares of the Company |
|---|------------------------------------|--------------------------------|---|
| Magical Profits Limited (<i>note</i>) | Beneficial owner | 324,216,452 | 36.74% |
| Accumulate More Profits Limited (<i>note</i>) | Interest of controlled corporation | 324,216,452 | 36.74% |
| Newcourt Trustees Limited (<i>note</i>) | Trustee | 324,216,452 | 36.74% |

Note: These shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu, a director of the Company, and her family members other than spouse).

Other than as disclosed above, as at 31 March 2004, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors of the Company have not been 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 of the Company in accordance with the provisions of the Company's Bye-laws.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

DONATIONS

During the year, the Group made donations amounting to HK\$176,000.

POST BALANCE SHEET EVENTS

The details of the significant post balance sheet events are set out in note 46 to the financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the preceding three years.

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Koon Wing Yee

President and Chief Executive Officer

Hong Kong, 26 July 2004