

## Report of the Directors

The directors submit herewith their report together with the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company’s principal subsidiaries are set out in Note 17 to the financial statements.

### SEGMENT INFORMATION

An analysis of the Group’s performance by principal activities and geographical locations of operations for the year ended 31 March 2004 is set out in Note 14 to the financial statements.

### RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2004 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 14 to 59 of this annual report.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2004 (2003: Nil).

### PRINCIPAL SUBSIDIARIES

In November 2003, the Group acquired the entire registered capital of 上海凱祥服飾有限公司 (“上海凱祥”) for a consideration of HK\$20 million. 上海凱祥 is a wholly foreign owned enterprise established in the PRC engaging in manufacturing and sales of garment in the PRC.

Details of the Group’s principal subsidiaries as at 31 March 2004 are set out in Note 17 to the financial statements.

### INTANGIBLE ASSETS

Details of movements in intangible assets of the Group during the year are set out in Note 15 to the financial statements.

### TANGIBLE FIXED ASSETS

Details of movements in tangible fixed assets of the Group during the year are set out in Note 16 to the financial statements.

### BORROWINGS AND INTERESTS CAPITALISED

Particulars of the Group’s borrowings as at 31 March 2004 are set out in Note 24 to the financial statements. No interest was capitalised by the Group during the year.



## Report of the Directors (continued)

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Notes 25 to the financial statements.

### STAFF RETIREMENT BENEFITS

Details of staff retirement benefits of the Group are set out in Note 10 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.

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

There was no purchase, sale or redemption of the Company's share by the Company or any of its subsidiaries during the year ended 31 March 2004.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 27 to the financial statements.

### DISTRIBUTABLE RESERVES

As at 31 March 2004, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus in the amount of approximately HK\$241,054,000 is not available for distribution as at 31 March 2004.

### MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, sales to the five largest customers of the Group accounted for approximately 13.8% of the turnover for the year. Purchases from the five largest suppliers of the Group accounted for approximately 61.0% of the total purchases for the year. The largest customer and supplier of the Group accounted for approximately 3.6% and 27.1% of the turnover and the total purchases respectively for the year.

As far as the directors are aware, none of the directors, their associates or shareholders (who to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested in at any time during the year in any of the above customers and suppliers.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in Note 34 to the financial statements.



## Report of the Directors (continued)

### FIVE-YEAR FINANCIAL SUMMARY

Results	Year ended 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>Turnover</b>	<b>23,117</b>	23,410	28,620	13,818	5,635
<b>Profit/ (loss) from operations</b>	<b>1,723</b>	(121,624)	(68,061)	(78,217)	(46,575)
Finance costs	<b>(1,601)</b>	(285)	(208)	(417)	(2,708)
Impairment loss on an associate	–	–	–	(3,891)	–
Profit/ (loss) from ordinary activities before taxation	<b>122</b>	(121,909)	(68,269)	(82,525)	(49,283)
Taxation	<b>(26)</b>	–	–	–	–
Minority interests	<b>7</b>	(14)	448	19	–
<b>Profit/ (loss) attributable to shareholders</b>	<b>103</b>	(121,923)	(67,821)	(82,506)	(49,283)
Assets and liabilities	As at 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Intangible assets	–	–	50,454	43,332	–
Tangible fixed assets	<b>20,021</b>	3,205	54,018	68,909	53,060
Current assets	<b>95,522</b>	31,440	33,228	67,932	214,661
<b>Total assets</b>	<b>115,543</b>	34,645	137,700	180,173	267,721
Current liabilities	<b>72,137</b>	19,686	42,253	33,941	63,539
Long-term portion of obligations under hire-purchase contracts	<b>249</b>	229	229	–	–
Long-term unsecured loans	–	–	–	–	1,980
Convertible bonds	–	–	–	–	60,000
Minority interests	–	32	18	11	–
<b>Total liabilities and minority interests</b>	<b>72,386</b>	19,947	42,500	33,952	125,519
<b>Net assets</b>	<b>43,157</b>	14,698	95,200	146,221	142,202
<b>Capital and reserves:</b>					
Share capital	<b>73,580</b>	44,780	74,639	62,639	45,344
Reserves	<b>(30,423)</b>	(30,082)	20,561	83,582	96,858
<b>Shareholders' funds</b>	<b>43,157</b>	14,698	95,200	146,221	142,202

## Report of the Directors (continued)

### DIRECTORS

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

#### *Executive directors*

Mr. Chi Chi Hung, Kenneth

Mr. Hui Sze Yin, Clarence

Mr. Huang Hong

(Appointed on 10 September 2003 and resigned on 8 January 2004)

Mr. Tang Yiu Wing

(Resigned on 10 September 2003)

Ms. Au Mei Ki, Maggie

(Resigned on 10 September 2003)

Mr. Chan Shun

(Resigned on 22 March 2004)

#### *Independent non-executive directors*

Mr. So Hon Cheung, Stephen

Mr. Lee Kin Chung, Simon

Mr. Lau Man Tak

(Appointed on 10 September 2003)

Ms. Xia Ling Yun

(Appointed on 10 September 2003)

Mr. Ng King Wah

(Resigned on 30 May 2003)

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Lau Man Tak and Ms. Xia Ling Yun shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

In accordance with the Company's Bye-law 99, Mr. Hui Sze Yin, Clarence will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

### EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of directors and the five highest paid individuals of the Group are set out in Note 9 to the financial statements.

### DIRECTORS' SERVICE CONTRACTS

None of the directors who is proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than normal statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



## Report of the Directors (continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

#### (I) Interest and short positions in shares and underlying shares of the Company

At 31 March 2004, none of the directors or chief executives, nor their respective associates had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

#### (II) Share options

(a) The Company adopted a share option scheme on 21 September 1993 (the "1993 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. Under the 1993 Scheme, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No share options were granted, exercised, cancelled or lapsed under the 1993 scheme during the year ended 31 March 2004.

(b) The Company terminated the 1993 Scheme and adopted a new share option scheme on 17 November 2003 (the "2003 Scheme"). No further options may be granted under the 1993 Scheme subsequent to its termination.

No share options have been granted under the 2003 Scheme since its adoption.

### DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the year.



## Report of the Directors (continued)

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Shareholders	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Elect Investments Limited ("Elect") (Note 1)	Beneficial owner	903,060,000 Shares	12.27%
New Times Holdings Limited ("NTHL") (Note 2)	Held by controlled corporation	903,060,000 Shares	12.27%
New Times Group Holdings Limited ("NTGHL")	Held by controlled corporation	903,060,000 Shares	12.27%
Great Sense Limited (Note 3)	Beneficial owner	874,600,000 Shares	11.89%
Tsang Chiu Ming	Held by controlled corporation	874,600,000 Shares	11.89%

Notes:

1. Elect is a wholly owned subsidiary of NTHL and NTHL is accordingly taken to have an interest in the 903,060,000 Shares in which Elect is interested under the SFO.
2. NTHL is a wholly owned subsidiary of NTGHL and NTGHL is accordingly taken to have an interest in the 903,060,000 Shares in which NTHL is interested under the SFO.
3. Great Sense Limited is wholly owned by Tsang Chiu Ming and Tsang Chiu Ming is accordingly taken to have an interest in the 874,600,000 Shares in which Great Sense Limited is interested under the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2004.

## Report of the Directors (continued)

### CORPORATE GOVERNANCE

The Company has throughout the year ended 31 March 2004 complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that independent non-executive directors are not appointed for a specific term but are subject to rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee comprising Mr. So Hon Cheung, Stephen and Mr. Lee Kin Chung, Simon, both of whom are independent non-executive directors of the Company. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

### AUDITORS

The financial statements were audited by Messrs. HLB Hodgson Impey Cheng who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Kenneth Chi**  
*Chairman*

Hong Kong, 26 July 2004

