

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise the manufacture, trading and distribution of garments, operation of restaurant and food business and property investment and development.

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 the Group at that date are set out in the financial statements on pages 39 to 98.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year, payable to the shareholders on the register of members of the Company on 26 August 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

The table set out below summarises the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate. This summary does not form part of the audited financial statements.

Certain figures in the five year summary have been adjusted for the effects of the retrospective change in accounting policy affecting income taxes to conform with the current year's presentation, as detailed in notes 2 and 28 to the financial statements.

	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
RESULTS					
TURNOVER	607,972	597,267	641,453	1,005,073	1,153,223
PROFIT FROM OPERATING ACTIVITIES	46,298	50,187	56,868	73,216	73,835
Finance costs	(14,296)	(18,827)	(15,041)	(16,823)	(20,371)
Share of profits less losses of:					
Jointly-controlled entity	-	(596)	(993)	(768)	(844)
Associates	(358)	-	(3,953)	(13,973)	(13,251)
PROFIT BEFORE TAX	31,644	30,764	36,881	41,652	39,369
Tax	(8,067)	(5,508)	(4,375)	(10,752)	(13,840)
PROFIT BEFORE MINORITY INTERESTS	23,577	25,256	32,506	30,900	25,529
Minority interests	(271)	(1,158)	(1,424)	(4,124)	(5,479)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	23,306	24,098	31,082	26,776	20,050
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,356,229	1,351,936	1,388,158	1,172,956	1,274,844
TOTAL LIABILITIES	(581,659)	(595,694)	(650,051)	(427,497)	(538,864)
MINORITY INTERESTS	(23,342)	(26,314)	(28,174)	(27,885)	(42,417)
NET ASSETS	751,228	729,928	709,933	717,574	693,563

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 14 and 15, respectively, to the financial statements. Further details of the Group's investment properties are set out on page 99.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 29 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for distribution, calculated in accordance with the provision of The Companies Act 1981 of Bermuda, amounted to HK\$110,303,000. In addition, the Company's share premium account, in the amount of HK\$464,952,000, may be distributed in the form of fully paid bonus shares.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Details of the Group's contingent liabilities and pledge of assets are set out in notes 32 and 35, respectively, to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$80,000 (2003: HK\$104,000).

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Ma Kai Cheung

Ma Kai Yum

Ng Yan Kwong

Non-Executive Director:

Yip Hing Chung

Independent Non-Executive Directors:

Lo Ming Chi, Charles

Yau Wing Keung

Lo Man Kit, Sam (appointed on 2 July 2004)

In accordance with clause 99 of the Company's Bye-laws, Mr. Ng Yan Kwong and Mr. Yip Hing Chung will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with clause 102 (B) of the Company's Bye-laws, Mr. Lo Man Kit, Sam retire from office, and being eligible, offer himself for re-election at the forthcoming annual general meeting.

DIRECTOR AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

MA Kai Cheung, *Ph.d, BBS*, aged 62, is the Chairman and founder of the Group. Mr. Ma has more than 30 years' experience in the garment distribution and manufacturing business, over 20 and 10 years' experience in the restaurant business and property development respectively. He is responsible for the strategic planning and business development of the Group. He is a committee member of the Chinese People's Political Consultative Conference. He is the chairman of Shenzhen Overseas Chinese International Association, a Vice-President of the Foreign Investment Association in Shenzhen, Vice-President of Shenzhen General Chamber of Commerce. Mr. Ma also serves as Chairman of Federation of Hong Kong Guangdong Community Organizations and Vice-Chairman of Chiu Chow Chamber of Commerce Limited.

MA Kai Yum, aged 53, is Managing Director of the Group. He has been a Director of the Group since 1984 and has about 30 years' experience in the garment business. Mr. Ma is responsible for the daily operations and administration and, together with Mr. Ma Kai Cheung, for the strategic planning of the Group. Mr. Ma also serves as a Director of the Chinese Manufacturers Association of Hong Kong and the Federation of Hong Kong Garment Manufacturers and is a member of Clothing Industry Training Authority. Mr. Ma is a brother of Mr. Ma Kai Cheung.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES (continued)

Executive Directors (continued)

NG Yan Kwong, aged 43, is Executive Director, Chief Financial Officer and Company Secretary of the Group. He holds a Bachelor's degree in Commerce of the University of Newcastle in Australia and is a member of the Hong Kong Society of Accountants and the CPA Australia. Before joining the Group in 2000, Mr. Ng was the finance director of an USA beverage company operated in China. Mr. Ng has more than 10 years corporate and financial management experience with multinational consumer product companies in South East Asia and Greater China region. He also has substantial working experience in public accountancy practice with a major international accounting firm.

Non-Executive Director

YIP Hing Chung, *BBS, MBE, JP*, aged 82, he joined the Group in 1994. Mr. Yip is Chairman and Managing Director of Gemmy Development Company Limited. Mr. Yip is a committee member of the Political Consultative Conference of Guangdong Province. He also serves as a President of the Hong Kong & Kowloon Chiu Chow Public Association, Honorary Permanent President of the Hong Kong Chiu Chow Chamber of Commerce Limited, Vice-President of the Chinese Manufacturers Association of Hong Kong and a member of the executive committee of the New Territories Heung Yee Kuk. Mr. Yip is also a member of the First and Second Nominating Committee of the Special Administrative Region of Hong Kong, a committee member of the National Industrial and Commercial Association (Guangdong Province) and an Advisory Committee Member of The Special Economic Zone of Shantou.

Independent Non-Executive Directors

LO Ming Chi, Charles, *JP*, aged 54, he joined the Group in 1991. Mr. Lo is a member of the CPA Australia and a member of the Securities Institute of Australia. He serves as a director of a number of listed companies in Hong Kong. He has more than 20 years of professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries.

YAU Wing Keung, aged 44, Mr. Yau graduated from the University of Hong Kong with a Bachelor's Degree in Social Sciences. Mr. Yau has 20 years' extensive working experience in the banking and finance industry. Mr. Yau is Vice Chairman and Executive Director of Vanguard Express International Co., Ltd.. Previously he had held key positions at various leading financial institutions and top investment banks in Hong Kong, Australia, Shanghai and Beijing.

LO Man Kit, Sam, aged 43, is a practising solicitor in Hong Kong and the Senior Partner of Messrs. C.C. Lee & Co.. He has about 20 years of extensive experience in the areas of conveyancing, banking and commercial law. He is also admitted as solicitor in England and Singapore.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES (continued)

Senior Management

MA Nelson, aged 43, is Managing Director of Amica Fashion Company (Pty) Limited in South Africa. He is in charge of the Group's sales and production operations in South Africa. He joined the Group in 1980. He has over 20 years' experience in garment manufacturing and marketing.

MA Hung Ming, John, Ph.d, BBS, aged 37, is Managing Director of Carrianna Holdings Limited and is responsible for the Group's restaurant and property development operations. He joined the Group in 1990. Mr. Ma graduated from the University of New York with a bachelor's degree in Business Management. He has extensive experience in the catering industry, as well as property management and development. He is the son of Mr. Ma Kai Cheung.

YUEN Wai Man, aged 47, is General Manager of the Group's Carrianna restaurants in the PRC. He has been serving the Group since 1991. Mr. Yuen has about 30 years' experience in restaurant operations and the catering industry.

WONG Michael, aged 48, is President of International Fashions Group Inc., the Group's subsidiary in Canada. Mr. Wong joined the Group in 1993. He has over 20 years of garment manufacturing and merchandising experience.

KONG Sin Keung, Jack, aged 41, is Managing Director and business partner of Garment Division in Guatemala. He is in charge of the Group's sales and production operation in Guatemala. Mr. Kong joined the Group in 2001. He has about 20 years' experience in garment manufacturing and marketing.

DIRECTORS' SERVICE CONTRACTS

Ma Kai Cheung has service contract with the Company. The contract has no fixed term of engagement and is subject to termination by either party giving three months' notice in writing.

Ng Yan Kwong has service contract with the Company. The contract has no fixed term of engagement and is subject to retirement by rotation as required by the Company's Bye-laws and termination by either party giving three months's notice in writing.

Ma Kai Yum had no service contract with the Company at the balance sheet date.

The non-executive directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' interests in the securities of the Group" and in the share option scheme disclosures as set out in note 29 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, their respective spouse, 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 corporate.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE GROUP

As at 31 March 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares

(a) The Company

Name of director	Capacity	Number of ordinary shares held and nature of interest			Total	Percentage of the Company's issued share capital
		Personal interests	Family interests	Other interests		
Ma Kai Cheung	Beneficial owner, interest of spouse, beneficiary of trust	29,510,000	8,100,000 (note 1)	259,129,025 (note 2)	296,739,025	40.18
Ma Kai Yum	Interest of spouse and beneficiary of trust	–	2,700,000 (note 3)	101,201,040 (notes 4 & 5)	103,901,040	14.07
Ng Yan Kwong	Beneficial owner	4,000,000	–	–	4,000,000	0.54
Yip Hing Chung	Beneficial owner	1,770,000	–	–	1,770,000	0.24

DIRECTORS' INTERESTS IN THE SECURITIES OF THE GROUP (continued)

Long positions in shares (continued)

(a) *The Company* (continued)

Notes:

- (1) The shares were owned by Cheung Lin Kiu, the spouse of Ma Kai Cheung.
- (2) Ma Kai Cheung and his family are the objects of a discretionary trust which effectively owns the entire issued share capital of Regent World Investments Limited ("Regent World") and 70% of the entire issued share capital of Bond Well Investments Limited ("Bond Well"). At the balance sheet date, Regent World owned 184,121,625 shares and Bond Well owned 75,007,400 shares of the Company.
- (3) The shares were owned by Kwok Kit Mei, the spouse of Ma Kai Yum.
- (4) Ma Kai Yum and his family are the objects of a discretionary trust which effectively owns the entire issued share capital of Grand Wealth Investments Limited ("Grand Wealth") and Peaceful World Limited ("Peaceful World"). At the balance sheet date, Grand Wealth owned 74,651,040 shares and Peaceful World owned 19,050,000 shares of the Company.
- (5) Peaceful World owns the entire issued share capital of Real Potential Limited ("Real Potential"). At the balance sheet date, Real Potential owned 7,500,000 shares of the Company. The interests of Real Potential in the Company are therefore deemed to be the interests of Peaceful World in which Ma Kai Yum is also deemed to have interests for the reason as stated in note 4 above.

(b) *Subsidiaries*

Name of subsidiaries	Name of directors	Capacity	Number of shares held	Type of shares	Percentage of the Company's issued share capital (Ordinary Shares)
Amica Development Limited	Ma Kai Yum	Beneficial owner	10,000	Ordinary	10
Carrianna Chiu Chow Restaurant (T.S.T.) Limited	Ma Kai Yum	Beneficiary of trust	15,000	Ordinary	1.5
Carrianna Chiu Chow Restaurant (T.S.T.) Limited	Yip Hing Chung	Beneficial owner	100,000	Ordinary	10
Ginza Development Company Limited	Ma Kai Cheung	Beneficial owner	15	Ordinary	2.5

DIRECTORS' INTERESTS IN THE SECURITIES OF THE GROUP (continued)

Long positions in shares (continued)

(b) Subsidiaries (continued)

Name of subsidiaries	Name of directors	Capacity	Number of shares held	Type of shares	Percentage of the Company's issued share capital (Ordinary Shares)
Ginza Development Company Limited	Ma Kai Yum	Beneficiary of trust	18	Ordinary	3
Ginza Development Company Limited	Yip Hing Chung	Beneficial owner	30	Ordinary	5
Gartrend Development Limited	Ma Kai Cheung	Beneficial owner	500,000	Non-voting deferred	N/A
Gartrend Development Limited	Ma Kai Yum	Beneficial owner	500,000	Non-voting deferred	N/A
Tak Sing Alliance Limited	Ma Kai Cheung	Beneficial owner	9,000	Non-voting deferred	N/A
Tak Sing Alliance Limited	Ma Kai Yum	Beneficial owner	1,000	Non-voting deferred	N/A

In addition to the above, Ma Kai Cheung and Ma Kai Yum have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with their minimum company membership requirements.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE GROUP (continued)

Long positions in shares (continued)

(c) *Associated Corporation*

Name of associated corporation	Name of director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital (Ordinary Shares)
Carrianna (Thailand) Company Limited	Ma Kai Cheung	Beneficial owner	86,400	3
Carrianna (Thailand) Company Limited	Ma Kai Yum	Beneficial owner	54,000	2

All the interests stated above represent long positions. Save as disclosed above, as at 31 March 2004, none of the directors or chief executives of the Company, nor their associates 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) 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 pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS

Save as detailed in note 36 to the financial statements, no director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares

Name of shareholder	Capacity	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
East Asia International Trustees Limited	Trustee	a	360,330,065	48.78
Golden Yield Holdings Limited	Interest in controlled corporations	b	259,129,025	35.08
Wealthy Platform Limited	Interest in controlled corporations	c	101,201,040	13.70
Regent World Investments Limited	Holding corporation	b	184,121,625	24.93
Bond Well Investments Limited	Holding corporation	b	75,007,400	10.15
Grand Wealth Investments Limited	Holding corporation	c	74,651,040	10.11

Notes:

- a. East Asia International Trustees Limited ("EAIT") is the trustee of a discretionary trust of which Mr. Ma Kai Cheung and his family are the objects and through its wholly-owned subsidiary, Golden Yield Holdings Limited ("Golden Yield"), was indirectly interested in 259,129,025 shares of the Company. EAIT is also the trustee of a discretionary trust of which Mr. Ma Kai Yum and his family are the objects and through its wholly-owned subsidiary, Wealthy Platform Limited ("Wealthy Platform"), was indirectly interested in 101,201,040 shares in the Company. As at the balance sheet date, EAIT was effectively interested in a total of 360,330,065 shares of the Company.
- b. Golden Yield owns the entire issued share capital of Regent World and 70% of the entire issued share capital of Bond Well, was indirectly interested in a total of 259,129,025 shares of the Company. The total shares held by both Regent World and Bond Well are the same block of shares as disclosed in "Other interests" of Mr. Ma Kai Cheung under the section headed "Directors' Interests in the Securities of the Group" set out above.

SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions in shares (Continued)

Notes: (Continued)

- c. Wealthy Platform owns the entire issued share capital of Grand Wealth and Peaceful World and indirect owns the entire issued share capital of Real Potential through Peaceful World, was indirectly interested in 101,201,040 shares of the Company. The total shares held by Grand Wealth, Peaceful World and Real Potential are the same block of shares as disclosed in "Other interests" of Mr. Ma Kai Yum under the section headed "Directors' Interests in the Securities of the Group" set out above.

Save as disclosed above, the Directors of the Company are not aware of any other persons who, as at 31 March 2004, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended
31 March 2004

Customers

Percentage of turnover attributable to the Group's five largest customers	34.52%
Percentage of turnover attributable to the Group's largest customer	12.39%

Suppliers

Percentage of purchases attributable to the Group's five largest suppliers	38.32%
Percentage of purchases attributable to the Group's largest supplier	20.39%

None of the directors of the Company or any of their associates or 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 the Group's five largest customers or five largest suppliers.

EMPLOYEES AND REMUNERATION POLICY

The Group's staff consists of approximately 200 employees in Hong Kong and approximately 3,700 employees outside Hong Kong. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

COMPLIANCE WITH THE 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.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee meets regularly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations. The audit committee comprises three independent non-executive directors and one non-executive director of the Company.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2004.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules have been received from Lo Ming Chi, Charles, Yau Wing Keung and Lo Man Kit, Sam, independent non-executive directors of the Company, and they are considered to be independent.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2004, the Group had outstanding bank and other borrowings of approximately HK\$344,383,000, cash, bank balances and deposits amounting to approximately HK\$101,966,000. Netting off pledged time deposits of HK\$28,640,000, the Group's net borrowings and available cash and bank balances were HK\$315,743,000 and HK\$73,326,000 respectively. Taking into account the availability of banking facilities, the directors believe that the Group has adequate cash resources to meet its commitments and working capital requirements.

Particular of the Group's interest-bearing bank and other borrowings are set out in notes 26 and 27 to the financial statements.

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

Ma Kai Yum

Managing Director

Hong Kong, 23 July 2004