

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments, which accounted for more than 90% of the Group's turnover and operating profit for the year. Details of the principal activities of the Company's principal subsidiaries and associates are set out in notes 16 and 17 respectively to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 15% and 49% respectively. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2004 are set out in the consolidated income statement on page 28 of the annual report.

An interim dividend of HK6 cents per share amounting to approximately HK\$21,128,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK13.5 cents per share to the shareholders whose names appear on the register of members on September 6, 2004, amounting to approximately HK\$47,539,000.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72 of the annual report.

INVESTMENT PROPERTIES

During the year, properties with a net book value of HK\$9,003,000 were transferred from the Group's property, plant and equipment to the investment properties.

The investment properties of the Group were revalued on March 31, 2004 by a firm of independent professional valuers on an open market value basis. The surplus arising on revaluation, which has been credited to the investment property revaluation reserve, amounting to HK\$1,555,000. Details of the investment properties of the Group are set out in note 13 to the financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$19,075,000 on the acquisition of property, plant and equipment for the purpose of expanding the Group's business.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS

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

Executive directors:

Benson Tung Wah Wing (Chairman)
Alan Lam Yiu On (Managing Director)
Raymond Tung Wai Man

Non-executive directors:

Tung Siu Wing
Kevin Lee Kwok Bun
Johnny Chang Tak Cheung*
Tony Chang Chung Kay*
Woo Kwong Hon*

* Independent non-executive director

In accordance with Article 81 of the Company's Articles of Association, Messrs. Johnny Chang Tak Cheung and Tony Chang Chung Kay retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each of the non-executive directors is the period up to his retirement by rotation in accordance with Articles 81 and 84 of the Company's Articles of Association.

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

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At March 31, 2004, the interests and short positions of the directors, the chief executives and their associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept 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 (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Long positions (Ordinary shares of HK\$0.20 each of the Company)

| Name of director | Capacity | Number of ordinary shares held | Percentage of the issued share capital of the Company |
|-------------------------|------------------------------------|--------------------------------|---|
| Benson Tung Wah Wing | Interest of controlled corporation | 125,049,390(<i>note a</i>) | 35.51% |
| Alan Lam Yiu On | Beneficial owner | 250,000 | 0.07% |
| Kevin Lee Kwok Bun | Beneficial owner | 9,000,000 | 2.56% |
| Johnny Chang Tak Cheung | Beneficial owner | 1,400,680 | 0.40% |
| | Beneficiary of a trust | 2,731,000(<i>note b</i>) | 0.78% |
| Tony Chang Chung Kay | Beneficial owner | 3,894,760 | 1.11% |

Notes:

- (a) Mr. Benson Tung Wah Wing has an equity interests of 100% in Corona Investments Limited, which owned 125,049,390 ordinary shares in the Company as at March 31, 2004, representing 35.51% of the issued share capital of the Company.
- (b) Mr. Johnny Chang Tak Cheung is a beneficiary of a trust, Chaco International Limited, which owned 2,731,000 ordinary shares in the Company as at March 31, 2004, representing 0.78% of the issued share capital of the Company.

Save as disclosed above, as at March 31, 2004, none of the directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts 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, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At March 31, 2004, shareholders who had interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

| Name of shareholder | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|----------------------------|------------------------------------|---------------------------------------|---|
| Corona Investments Limited | Beneficial owner | 125,049,390 (note a) | 35.51% |
| Value Partners Limited | Investment manager | 24,864,000 (note b) | 7.06% |
| Cheah Cheng Hye | Interest of controlled corporation | 24,864,000 (note b) | 7.06% |
| Webb David Michael | Beneficial owner | 19,596,000 | 5.56% |

Notes:

- (a) These shares have been disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.
- (b) Mr. Cheah Cheng Hye is deemed to be interested in these shares by virtue of his 31.82% control over Value Partners Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at March 31, 2004.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 35 to the financial statements. In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;

Directors' Report

CONNECTED TRANSACTIONS *(continued)*

- (ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) either (a) in accordance with the terms of the agreements; or (b) where there are no such agreements, on terms no less favourable than those available to or from independent third parties;
- (iv) within the relevant cap amounts as agreed by the Stock Exchange; and
- (v) in accordance with the pricing policies of the Group which the price is determined by reference to the patterns and the colours of the products.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$39,000.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended March 31, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 34 to the financial statements.

AUDITORS

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

On behalf of the Board
Benson Tung Wah Wing
CHAIRMAN

Hong Kong, July 12, 2004