

Report of directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended March 31, 2005.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 27 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended March 31, 2005 is set out in note 5 to the financial statements.

Results and dividends

The Group's profit for the year ended March 31, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 48. The directors do not recommend the payment of any dividend in respect of the year.

Property, plant and equipment

Details of movements in the Group's property, plant and equipment during the year are set out in note 12 to the financial statements.

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 21 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, being the jurisdiction in which the Company is incorporated, 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 has purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are stated in the Statement of Changes in Equity on page 30.

Financial Summary

A summary of the results of the Group for the past five financial years ended March 31, 2005 is set out on page 14 of the annual report.

Distributable reserves

At March 31, 2005, the Company has reserves of HK\$21,101,000 available for cash distribution and/or distribution in specie as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account in the amount of HK\$26,126,000 may be distributed in the form of fully paid bonus shares.

Bank Loans and Other Loans

Details of movements in the Group's bank loans and other loans during the year are set out in note 17 and note 18 respectively to the financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Retirement Scheme

The Group did not operate any retirement scheme for its Hong Kong employees up to November 30, 2000. With effect from December 1, 2000, a Mandatory Provident Fund Scheme has been set up which is available to all employees in Hong Kong including executive directors.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. The Group's largest customer accounted for less than 1% of the Group's total sales during the year.

Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. The Group's largest supplier accounted for approximately 7% of the Group's total purchases during the year.

None of the directors, their associates or any shareholder of the Company (who, to the knowledge of the directors, owns more than 5% of the Company's share capital) had an interest in the customers and the suppliers noted above.

Directors

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

Executive directors:

Cheung Yin Sheung Subraina (Chairman)
Tong Kwong Fat
Yung Wing Sze Vivian

Independent non-executive directors:

Chan Ka Ling Edmond
Tsang Wai Kit
Lo Wa Kei Roy

In accordance with the clause 111 of the Company's Bye-Laws, Tong Kwong Fat will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on page 10 of this annual report.

Directors' service contracts

Except for Yung Wing Sze Vivian, each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from April 1, 2000, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Each of independent non-executive directors has not entered into a services contract with the Company and does not have specific terms of appointment but are subject for retirement on the same basis as the executive directors as required by the Company's Bye-Laws.

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 of compensation, other than statutory compensation.

Directors' interests in contracts

Save as disclosed in note 26 to the financial statements and in the section "Connected transactions" below, no director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at March 31, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executive of the Company were deemed or taken to have under such provisions 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") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Long positions in ordinary shares of the Company

Name of Directors	Capacity	Type of interests	Number of shares held	Approximate % of the issued share capital
Cheung Yin Sheung Subraina ("Ms Cheung")	Beneficial owner	Corporate (Note 1)	120,000,000	60
	Interest of spouse (Note 2)	Corporate (Note 1)	120,000,000	60
Tong Kwong Fat ("Mr Tong")	Beneficial owner	Corporate (Note 1)	120,000,000	60
	Interest of spouse (Note 2)	Corporate (Note 1)	120,000,000	60

Notes:

1. The 120,000,000 shares are held by Gay Giano (BVI) Group Limited, ("Gay Giano (BVI)"), a limited company incorporated in the British Virgin Islands and Ms Cheung and Mr Tong are owned 250 shares and 50 shares respectively, which representing 12.5% and 2.5% respectively of Gay Giano (BVI).
2. Mr Tong is the spouse of Ms Cheung. By virtue of the SFO, Mr Tong and Ms Cheung are taken to be interested in the shares held by each other.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (continued)

(ii) Interests in options to subscribe for the Company's shares

As at March 31, 2005, the directors had personal interests in share options to subscribe for shares in the Company under the Old Scheme (as defined in the Section "Share option scheme" below) as follows:

Name of directors	Exercise period of share options	Exercise price of share options HK\$	Outstanding at beginning of the year	Number of share options		Outstanding at end of the year
				Granted during the year	Exercised during the year	
Cheung Yin Sheung Subraina	February 5, 2001 to February 4, 2011	0.2528	1,800,000	—	—	1,800,000
Tong Kwong Fat	February 5, 2001 to February 4, 2011	0.2528	1,800,000	—	—	1,800,000
Yung Wing Sze Vivian	February 5, 2001 to February 4, 2011	0.2528	1,170,000	—	—	1,170,000

Save as disclosed above, none of directors or chief executives or their associates held any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation as at March 31, 2005 which had to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debt securities

Apart from as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or chief executive, or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries, a party to any arrangement to enable the directors, chief executives, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Directors' interest in competing business

During the year, none of the directors or management shareholders of the Company (as defined in the Listing Rules) has an interest in a business which compete or may corporate with the business of the Group.

Share option scheme

In 2001, the Stock Exchange announced changes to the Listing Rules which set out the revised requirements for share option schemes operated by listed companies. In this respect, the operation of the share option scheme adopted by the Company on March 14, 2000 (the "Old Scheme") was terminated upon the adoption of the New Scheme (as defined below). In such event, no further option would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme.

On September 10, 2002, at the annual general meeting, the Company adopted a new share option scheme (the "New Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time. Other details of the New Scheme were disclosed in the circular dated July 29, 2002. As at March 31, 2005, no options have been granted under the New Scheme.

Share option scheme (continued)

Details of the movements in the share options granted and exercised during the year ended March 31, 2005 under the Old Scheme are as follows:

Name or category of participant	Date of grant of share options (Note 1)	Exercisable period of share options	At April 1, 2004	Granted during the year
Directors				
Cheung Yin Sheung Subraina	February 5, 2001	February 5, 2001 to February 4, 2011	1,800,000	—
Tong Kwong Fat	February 5, 2001	February 5, 2001 to February 4, 2011	1,800,000	—
Yung Wing Sze Vivian	February 5, 2001	February 5, 2001 to February 4, 2011	1,170,000	—
			4,770,000	—
Other employees				
In aggregate	February 5, 2001	February 5, 2001 to February 4, 2011	10,610,000	—
			15,380,000	—

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders.

Summary details of the Company's share option schemes are set out in note 21 to the financial statements.

Number of share options

Exercised during the year	Lapsed during the year	Cancelled during the year	At March 31, 2005	Exercise price of share options HK\$ (Note 2)
—	—	—	1,800,000	0.2528
—	—	—	1,800,000	0.2528
—	—	—	1,170,000	0.2528
—	—	—	4,770,000	
(30,000)	—	(30,000)	10,550,000	0.2528
(30,000)	—	(30,000)	15,320,000	

Substantial shareholders

According to the records entered into the register required to be kept by the Company pursuant to Section 336 of the SFO, so far as the directors of the Company are aware of and having made due enquiries, as at March 31, 2005, the interests and short positions of the following parties (other than the directors or chief executives of the Company as disclosed above), in the shares or underlying shares of the Company were as follows:

Name	Capacity	Type of interests	Number of shares held	% of the issued share capital
Gay Giano (BVI)	Beneficial owner	Corporate	120,000,000	60
K&E Industries Limited	Beneficial owner	Corporate	30,000,000	15
Cheung Sing Chi	Interest of Controlled Corporation (Note)	Corporate	120,000,000	60

Note:

Mr Cheung Sing Chi holds 72.5% of the shares in issue of Gay Giano BVI and therefore has a controlling interest in it. By virtue of the SFO, Mr Cheung Sing Chi is taken to be interested in the shares of the Company held by Gay Giano BVI.

Save as disclosed above, as at March 31, 2005, the Company was not notified by any person (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be 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.

Connected transactions

During the year, the Group has entered into the following transactions with "connected persons" for the purpose of the Listing Rules:

During the year ended March 31, 2005, Gay Giano International Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Boldsmore International Limited ("Boldsmore"), a fellow subsidiary of the Company. Pursuant to the agreement, Boldsmore leased an office and a warehouse to the Group for a term of one year from November 1, 2004 to October 31, 2005 at a monthly rent of HK\$182,000.

FPDSavills (Hong Kong) Limited, an independent firm of professional valuers, has reviewed the terms of the lease agreement as set out above and has confirmed to the directors that the rentals payable under the agreement is based on normal commercial terms and is fair and reasonable.

The independent non-executive directors are of the opinion that the terms of the above transactions are fair and reasonable so far as the shareholders of the Company are concerned; and that the transactions have been entered into by the Group in its ordinary course of business and on normal commercial terms and were carried out in accordance with the terms of the agreements governing such transactions.

Compliance with the Code of Best Practice

None of the directors is aware of any information that would reasonably indicate that the Company is not or was not for any part of the year ended March 31, 2005, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules which was in force prior to January 1, 2005 and remains applicable for the accounting periods commencing before January 1, 2005 except that all independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.

Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors (the "Code"). Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Code for the year under review.

Public float

As far as the information publicly available to the Company is concerned and to the best knowledge of the directors of the Company, at least 25% of the Company's issued share capital were held by members of the public as at July 13, 2005 (being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining the relevant information contained in the report).

Independent Non-Executive Directors

The Company has received from each of its independent non-executive directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation considers Mr Chan Ka Ling Edmond, Mr Tsang Wai Kit and Mr Lo Wa Kei Roy to be independent.

Audit committee

The Company has an audit committee (the "Committee") which was established on March 14, 2000 in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors. The financial statements of the Group for the year ended March 31, 2005 have been reviewed by the Committee. During the year, two regular meetings of the Committee have been held. The Committee is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

Auditors

Messrs. KLL Associates CPA Limited, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Messrs. KLL Associates CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company. The Company has not changed its auditors in the preceding three years.

ON BEHALF OF THE BOARD
Cheung Yin Sheung Subraina
Chairman

Hong Kong
July 11, 2005