



Report of the Directors

The directors have pleasure in presenting their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. 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 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 80.

The directors of the Company recommended the payment of a final dividend of HK0.8 cent per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 30 August 2005. Together with the interim dividend of HK0.5 cent per ordinary share paid on 28 February 2005, the Company's total dividends amount to HK1.3 cents per ordinary share in respect of the year ended 31 March 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 August 2005 to Tuesday, 30 August 2005 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2005 and for attending the annual general meeting of the Company to be held on Tuesday, 30 August 2005, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 August 2005.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

Results

	Year ended 31 March				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	913,844	739,677	579,652	459,059	334,440
Profit before taxation	119,111	137,116	24,525	43,614	49,895
Taxation	(11,847)	(10,832)	(2,793)	(6,015)	(8,192)
Minority interests	(11,279)	(12,412)	2,095	–	–
Net profit attributable to shareholders	95,985	113,872	23,827	37,599	41,703

Assets and liabilities

	2005 HK\$'000	2004 HK\$'000	At 31 March		
			2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Total assets	1,223,090	919,485	615,548	410,523	286,108
Total liabilities	(494,915)	(346,785)	(264,113)	(166,932)	(149,032)
Minority interests	(7,355)	(10,536)	2,383	–	–
Shareholders' funds	<u>720,820</u>	<u>562,164</u>	<u>353,818</u>	<u>243,591</u>	<u>137,076</u>

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Group and of the Company during the year are set out in notes 11 and 12 respectively to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 24 and 25 to the financial statements.

Details of the Company's share option scheme are set out in note 25 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in note 26 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2005, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus, warrants reserve and retained profits, amounted to approximately HK\$41,745,000. In addition, the Company's share premium account in the amount of approximately HK\$292,540,000 may be distributed in the form of fully paid bonus shares.



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MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 23% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 5% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 44% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 23% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors of the Company nor any of their associates nor 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 any of the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Leung Ngok
Mr. Leung Shing
Mr. Lee Ka Yiu, Andy
Mr. Li Chung Hing (resigned on 3 April 2004)

Independent non-executive directors:

Mr. Jia Luqiao (appointed on 30 September 2004)
Mr. Wong Kong Hon
Mr. Wong Kai Cheong
Mr. Wang Pinqing (resigned on 30 September 2004)

Mr. Yang Dong Hui was appointed as an independent non-executive director of the Company with effect from 13 July 2005. In accordance with clause 86(2) of the Company's bye-laws, Mr. Jia Luqiao and Mr. Yang Dong Hui who were appointed by the board of directors of the Company during the year, will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the said meeting.

In accordance with clause 87 of the Company's bye-laws, Mr. Leung Shing will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the said meeting. The directors of the Company, including the independent non-executive directors but excluding the Chairman, Mr. Leung Ngok, 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. Two of the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

The Company has received confirmation of independence from each of Mr. Jia Luqiao, Mr. Wong Kong Hon, Mr. Wong Kai Cheong and Mr. Yang Dong Hui and considers that they meet the requirements of the independence guidelines as set out in Rule 3.13 of The Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ and Senior Management’s Biographies

Executive directors

Mr. Leung Ngok, aged 46, is the Chairman of the Company. He founded the Group in 1983 and is responsible for the overall strategic planning and formulation of corporate policies of the Group. Prior to the founding of the Group, Mr. Leung was a production manager of a garments retailing company. Mr. Leung has over 24 years of experience in the apparel manufacturing and distribution business. Mr. Leung is the elder brother of Mr. Leung Shing, an executive director.

Mr. Leung Shing, aged 43, is the Deputy Chairman of the Company and co-founder of the Group. Mr. Leung is responsible for the overall strategic planning, sales, retail and distribution operations as well as the business development and administration of the Group. Prior to the founding of the Group, Mr. Leung was a shop manager of a garments retailing company. Mr. Leung has over 24 years of experience in the retail services industry. Mr. Leung is the younger brother of Mr. Leung Ngok, an executive director.

Mr. Lee Ka Yiu, Andy, aged 41, is an executive director of the Company and is responsible for the retail and distribution operations and market development of the Group. Mr. Lee joined the Group in 1995 and has over 14 years of experience in the retail services industry. Mr. Lee was a sales manager of a textile company in Hong Kong prior to joining the Group.

Independent non-executive directors

Mr. Jia Luqiao, aged 65, is an independent non-executive director of the Company. After graduated from the Capital University of Economics and Business in 1964, Mr. Jia taught at the university. From 1973 to 1992, Mr. Jia worked at Tianjin Institute of Textile Science and Technology (currently renamed as Tianjin Polytechnic University) for the positions of teacher, dean, head of department, deputy president and president respectively. Mr. Jia was the president of the Beijing Institute of Clothing Technology from August 1992 to 1994. Mr. Jia was the president of the China Textile Academy from 1995 to 2003. Since November 2003, Mr. Jia has been the chairman of the Development and Strategic Committee of the China Textile Academy.

Mr. Wong Kong Hon, aged 63, is an independent non-executive director of the Company. Mr. Wong is the member of the Standing Committee, The National Committee of the 10th Chinese People’s Political Consultative Conference, the Vice-chairman of the Hong Kong Chinese General Chamber of Commerce, a Justice of Peace and the recipient of the Silver Bauhinia Star in year 2002.

Mr. Yang Dong Hui, aged 60, is an independent non-executive director of the Company. Mr. Yang graduated from Tsinghua University in 1970 and is currently the vice president of China National Textile Industry Council (中國紡織工業協會) and officer of its Industry Division. Mr. Yang is also an officer of National Textile Industry Economic Research Centre (中國紡織經濟研究中心). He has been the president of National Association of Domestic Textile Products Industry (中國家用紡織品行業協會) since 1999.



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Mr. Wong Kai Cheong, aged 43, is an independent non-executive director of the Company. Mr. Wong is an accountant practising in Hong Kong with more than 15 years of experience in auditing, corporate finance and consultancy. He is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Senior Management

Mr. Ng Chi Yin, aged 39, is the Financial Controller, Qualified Accountant and the Secretary of the Company. Mr. Ng is responsible for the accounting and financial control functions of the Group. He joined the Group in 1999. Mr. Ng holds a bachelor degree in Business Administration majoring in Accounting from the Chinese University of Hong Kong. Before joining the Group, Mr. Ng worked in an international accounting firm and has over 12 years of experience in auditing, accounting and finance. He is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. Low John Meng, aged 40, is the Group's Corporate Development Manager and responsible for developing new investment projects. Mr. Low joined the Group in 2002 and holds a bachelor degree in Economics from the Macquarie University, Australia. He has over 14 years of experience in banking and finance.

Ms. Ng Ka Pui, Leola, aged 42, is the Group's Human Resources Manager and responsible for development, management and training of human resources within the Group. Ms Ng joined the Group in 2002 and holds an MBA degree from the University of Portsmouth, United Kingdom and a bachelor degree in Business Administration from the University of Hertfordshire, United Kingdom. Before joining the Group, she was the Head of Human Resources in both listed and large size companies with more than 11 years of experience in human resources management.

Mr. Lui Yung Fai Samuel, aged 35, is the Group's Investment Management Manager and responsible for the management of investment business. Mr. Lui joined the Group in 2001 and holds a bachelor degree in Actuarial Science and Economics from the University of Toronto, Canada. He had previously worked in the banking field with more than 10 years of relevant experience.

Ms. Cheung Wai Yu, aged 33, is the Group's Administration Manager and responsible for office administration. Ms. Cheung holds a bachelor degree in Industry Economics from Tam Kang University, Taiwan and joined the Group in 1996. Ms. Cheung worked for the retail operations department of a British conglomerate prior to joining the Group.

Ms. Cheung Mei Hing, aged 36, is the Manager of the Group's Apparel Business in Hong Kong. She holds a Diploma in Retail Management from the Hong Kong Management Association. Ms. Cheung joined the Group in 2001 and had previously held a retail management position in a leading fashion group with more than 16 years of experience in retail operation and management.

Mr. Ding Yi, aged 43, is the Chief Representative of the Beijing Representative office of the Group's Technology Nano business and is responsible for sales and marketing of Technology Nano business in China. Mr. Ding joined the Group in 2002. He holds both a bachelor degree and master degree in Science from Tongji University. He has over 13 years of experience in business development and corporate management.

Mr. Ye Zheming, aged 43, is the Jianxi and Nanchang Operation Manager of the Group's Technology Nano business and is responsible for the construction and operation management of the Technology Nano business in Jianxi and Nanchang's production plants. Mr. Ye joined the Group in 2004. He holds a bachelor degree in Economics from Hebei College of Geology (河北地質學院) and obtains the professional title of National Senior Economist (國家高級經濟師). Mr. Ye has 23 years of experience in financial and operation management in textile corporations in mainland China.

Mr. Su Zhijun, aged 40, is the Chief Engineer in Production Technology of the Group's Technology Nano business, responsible for the management of production technology and craft of Technology Nano. Mr. Su joined the Group in 2003. He holds a bachelor degree in Textile and Chemical Engineering from Wuhan Textile Engineering College (武漢紡織工學院) and obtains the professional title of Textile Dying Engineer (紡織整染工程師). Mr. Su has 14 years of experience in the technology research and development and management in textile dying corporations in mainland China.

Mr. Zhang Hao, aged 35, is the Project Manager of the Group's Technology Nano business, responsible for the transform and accessory management of the Group's Technology Nano production equipments. Mr. Zhang joined the Group in 2002. He holds a bachelor degree in Mechanic Automation from Xinjiang Advanced Professional School of Industries (新疆工業高等專科學院) Mr. Zhang has 12 years of experience in design and management of mechanic equipments.

DIRECTORS' SERVICES CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 November 2000 and shall automatically continue for successive terms of one year upon expiry unless terminated by either party giving not less than six months' notice in writing to the other party.

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 other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in note 28 to the financial statements, no director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2005, the interests of the directors of the Company in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 ("Model Code"), were as follows:

Name	Long/short position	Capacity	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Leung Ngok	Long	Beneficial owner	72,814,000	4.1%
	Long	Founder of a discretionary trust	566,275,000 (Note)	31.9%

Note: These shares were owned by ACE Target Inc. as trustee of The Target Unit Trust, a unit trust of which all of the units in issue are owned by Trident Corporate Services (B.V.I.) Limited as trustee of The Leung Ngok Family Trust, a discretionary trust of which the objects include Mr. Leung Ngok's family members.

Accordingly, Mr. Leung Ngok, as founder of The Leung Ngok Family Trust, was deemed to be interested in the shares owned by ACE Target Inc. in its capacity as the trustee of The Target Unit Trust under Part XV of the SFO.



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In addition to the above, as at 31 March 2005, certain director(s) of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the then minimum company membership requirements.

Save as disclosed above, as at 31 March 2005, none of the directors or chief executive of the Company 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' Interests in Shares" above and under the heading "Share Option Scheme" in note 25 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, or chief executives or their spouses 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 corporates.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2005, the following interests of 5% or more in the shares and underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares of the Company interested	Note	Percentage of the Company's issued share capital
ACE Target Inc.	Long	Trustee	566,275,000	(1)	31.9%
Trident Corporate Services (B.V.I.) Limited	Long	Trustee	566,275,000	(1)	31.9%
Ms. Yim Yuk Lam	Long	Interest of spouse	639,089,000	(2)	36%

Note:

- (1) Such interest was also disclosed as the interest of Mr. Leung Ngok in the above section headed "Directors' Interests in Shares".
- (2) Ms. Yim Yuk Lam was deemed to be interested in the 639,089,000 shares of the Company through interest of her spouse, Mr. Leung Ngok.

Save as disclosed above, as at 31 March 2005, no persons, other than the directors of the Company whose interests are set out in the above section headed "Directors' interests in shares", 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 under Section 336 of the SFO.

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, in force prior to the accounting period commencing on 1 January 2005, throughout the accounting period covered by the annual report except that two of the independent non-executive directors of the Company are not 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 in accordance with the bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee (the "Audit Committee") on 17 October 2000 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the new Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, the terms of reference of the Audit Committee were revised on 22 July 2005 in terms substantially the same as the provisions set out in the Code on Corporate Governance Practices.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the auditors of the Company. The Audit Committee comprises four members, namely Mr. Wong Kai Cheong, Mr. Jia Luqiao, Mr. Wong Kong Hon and Mr. Yang Dong Hui, who are the independent non-executive directors of the Company. The Audit Committee had reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the Company's consolidated financial statements for the year ended 31 March 2005.

REMUNERATION COMMITTEE

The Company set up a remuneration committee (the "Remuneration Committee") on 22 July 2005 with specific written terms of reference in accordance with the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. The Remuneration Committee comprises one executive director of the Company, namely Mr. Leung Ngok and two independent non-executive directors of the Company, namely Mr. Wong Kai Cheong and Mr. Wong Kong Hon.

The main duties of the Remuneration Committee include making recommendations to the board of directors on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the board of directors of the Company from time to time.



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EXECUTIVE COMMITTEE

The Company set up an executive committee (the “Executive Committee”) on 22 July 2005 with specific written terms of reference. The Executive Committee comprises all the executive directors of the Company. The principal duties of the Executive Committee include overseeing the Company’s strategic plans and operations of all business units of the Company and making decisions on matters relating to the management and operations of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company’s issued shares as required under the Listing Rules.

POST BALANCE SHEET DATE EVENTS

Details of the significant post balance sheet date events of the Group are set out in note 32 to the financial statements.

AUDITORS

RSM Nelson Wheeler will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the Company’s forthcoming annual general meeting.

On behalf of the Board

Leung Ngok

Chairman

Hong Kong, 22 July 2005