

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding and property investment company. The principal activities of the Group are the manufacture and sale of garments, as well as property investment.

RESULTS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 16 of the annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 50 of the annual report.

SHARE CAPITAL

Details of the issued share capital of the Company are set out in note 22 to the financial statements.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 23 to the financial statements. No options have been granted under the share option scheme since its adoption.

RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in note 24 to the financial statements.

In accordance with the Company's Articles of Association, no dividend shall be paid otherwise than out of profits. Accordingly, as at 31st March, 2001, the Company did not have any distributable reserves.

INVESTMENT PROPERTIES

The Group's and the Company's investment properties were revalued at 31st March, 2001 on an open market value existing use basis. Details of these movements during the year in the investment properties of the Group and the Company are set out in note 10 to the financial statements.

A summary of the properties held for investment purposes by the Group at 31st March, 2001 is set out on page 51 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Zhang Hongwei — Chairman and Managing Director

Guan Guoliang

Wong Wing Ming

Independent non-executive directors:

Chan Siu Kwan

Chan Ka Si (appointed on 28th March, 2001)

Gao Hai Ming (resigned on 28th March, 2001)

In accordance with Article 91 of the Company's Articles of Association, Mr. Chan Ka Si retires and, being eligible, offers himself for re-election.

In accordance with Article 99 of the Company's Articles of Association, Mr. Guan Guoliang retires by rotation and, being eligible, offers himself for re-election.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Articles of Association.

None of the directors being 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 Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2001, as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), Mr. Zhang Hongwei was interested in 385,353,000 shares of the Company, representing approximately 50.2% of the issued share capital of the Company as at 31st March, 2001. These shares were held by He Fu International Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Zhang Hongwei.

Save as disclosed above, none of the directors, nor any of their associates had any interest as at 31st March, 2001 in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 23 to the financial statements, in respect of which no options have been granted since its adoption, at no time during the year was the Company, or any of its subsidiaries or holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, in addition to the interest disclosed under the paragraph headed "Directors' interests in securities", Newfield Resources Limited was interested in 84,000,000 shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests as at 31st March, 2001 representing 10% or more of the issued share capital of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, or any of its subsidiaries or holding company 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.

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 securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 37 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Zhang Hongwei' in Chinese characters.

ZHANG HONGWEI

Chairman and Managing Director

Hong Kong, 26th July, 2001