

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric, trading of garment products and provision of quality inspection services.

Results

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 44. The directors recommend the payment of a final dividend of HK4.0 cents per share, in cash form with a scrip dividend option to the shareholders whose names appear on the register of members on 28 August 2003, amounting to approximately HK\$20,012,000. Details of the dividends for the year are set out in note 9 to the financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 20 to the financial statements.

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 on page 47 and in note 22 to the financial statements, respectively.

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Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK\$99 million to expand its business. Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 12 to the financial statements.

Directors and Service Contracts

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

Executive directors:

Mr. Li Ming Hung (*Chairman*)

Mr. Chen Tien Tui (*Managing Director*)

Mr. So Kam Wah

Mr. Lee Yuen Chiu, Andy

Mr. Choi Lin Hung

Independent non-executive directors:

Mr. Kan Ka Hon

Mr. Phaisalakani Vichai (Andy Hung)

In accordance with Clause 87(1) of the Company's Bye-laws, Mr. So Kam Wah and Mr. Choi Lin Hung will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other directors continue in office.

The directors being proposed for re-election at the forthcoming annual general meeting do not have service contracts with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than statutory compensation.

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

Directors' Interests In Contracts and Connected Transactions

During the year, the Group had transactions with connected parties as follows:

- (1) The Group paid operating lease rental to Verdure Enterprises Limited (note i) amounting to HK\$108,000.
- (2) On 14 March 2003, Pearl Garden Pacific Limited (note ii) and Madian Star Limited (note iii), two controlling shareholders of the Company, together entered into an agreement to subscribe for an aggregate of 40,000,000 new shares in the Company at the price of HK\$1.75 per share, details of which are disclosed in note 20 (iii) to the financial statements.

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- (3) At 31 March 2003, the Company and certain of its wholly owned subsidiaries have conditionally agreed to provide guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited ("Ford Glory"), a non-wholly owned subsidiary of the Company in which Mr. Choi Lin Hung has a 49% beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK\$138 million in aggregate as at 31 March 2003. The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. The provision of the guarantees constitutes connected transactions under Rule 14.26 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant wholly owned subsidiaries of the Company.

Notes:

- (i) The entire issued share capital of Verdure Enterprises Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.
- (ii) The entire issued share capital of Pearl Garden Pacific Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.
- (iii) The entire issued share capital of Madian Star Limited is owned by a discretionary trust, the object of which include Mr. Chen Tien Tui and his family.

In the opinion of the independent non-executive directors of the Company, these transactions were carried out on normal commercial terms in the ordinary course of business of the Group.

Other than as disclosed above, no other 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.

Directors' Interests in Securities

At 31 March 2003, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares of HK\$0.01 each			Percentage of interest
	Personal interests	Other interests	Total interests	
Mr. Li Ming Hung	8,491,338	69,532,699	78,024,037	16.46%
		(Note (1))		
Mr. Chen Tien Tui	9,066,272	69,532,699	78,598,971	16.58%
		(Note (2))		
Mr. Phaisalakani Vichai (Andy Hung)	400,000	–	400,000	0.08%

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Notes:

- (1) The shares described as “other interests” were owned by Pearl Garden Pacific Limited, a company beneficially owned by a discretionary trust the objects of which include Mr. Li Ming Hung and his family.
- (2) The shares described as “other interests” were owned by Madian Star Limited, a company beneficially owned by a discretionary trust the objects of which include Mr. Chen Tien Tui and his family.

No director held an interest in the securities of any subsidiaries of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 March 2003 except for the following:

- (a) Each of Messrs. Li Ming Hung and Chen Tien Tui holds 4,000,000 non-voting deferred shares in Victory City Company Limited;
- (b) Each of Messrs. Li Ming Hung and Chen Tien Tui holds 1,300 redeemable non-voting preference shares in Victory City Overseas Limited; and
- (c) Merlotte Enterprise Limited, a company the entire issued share capital of which is held by Mr. Choi Lin Hung, holds 49 ordinary shares in Ford Glory Holdings Limited. Mr. Choi also holds 700 redeemable non-voting preference shares in Victory City Overseas Limited.

Other than as disclosed above, none of the directors, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial Shareholders

At 31 March 2003, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholder had an interest of 10% or more of the Company's issued share capital:

Name	Number of shares held	Interests
Value Partners Limited	61,022,000	12.88%

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2003.

Share Options

Details of the Company's share option scheme are set out in note 21 to the financial statements.

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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.

Code of Best Practice

The Company has complied throughout the year ended 31 March 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Post Balance Sheet Event

Details of the significant event occurring after the balance sheet date are set out in note 30 to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

Donations

During the year, the Group made donations totalling approximately HK\$463,000.

Auditors

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

On behalf of the Board

Li Ming Hung

Chairman

Hong Kong

8 July 2003