

Report of the Directors

The directors of the Company herein present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements.

During the year, a subsidiary of the Company entered into agreement for the establishment of a joint venture company in Beijing, the People's Republic of China (the "PRC"), which is principally engaged in the manufacture and sale of nano materials for use in different industries and industrial applications such as textile, construction, chemical and related materials. Other than the foregoing, there were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activity and geographical location of markets for the year ended 30 June 2003 is set out in note 5 to the financial statements.

RESULTS AND DIVIDEND

The Group's profit for the year ended 30 June 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 18 to 19.

The directors of the Company recommend the payment of a final dividend of HK0.2 cent per ordinary share in respect of the year ended 30 June 2003, to shareholders whose names appear on the register of members on 21 November 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in the section under "Dividends" in note 3 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. Certain amounts for the year ended 30 June 2001 and before have been restated as a result of the adoption of newly issued and revised accounting standards which came into effect for the first time during the financial year ended 30 June 2002.



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RESULTS

	2003 <i>HK\$'000</i>	Year ended 30 June			
		2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
TURNOVER	<u>208,770</u>	<u>248,829</u>	<u>225,601</u>	<u>221,300</u>	<u>220,943</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>40,356</u>	<u>64,868</u>	<u>50,088</u>	<u>49,398</u>	<u>48,168</u>

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2003 <i>HK\$'000</i>	At 30 June			
		2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
NON-CURRENT ASSETS	185,258	146,592	139,467	77,510	52,515
CURRENT ASSETS	<u>298,277</u>	<u>259,680</u>	<u>221,226</u>	<u>194,292</u>	<u>129,926</u>
TOTAL ASSETS	<u>483,535</u>	<u>406,272</u>	<u>360,693</u>	<u>271,802</u>	<u>182,441</u>
CURRENT LIABILITIES	19,516	16,909	24,851	47,462	52,634
NON-CURRENT LIABILITIES	<u>2,399</u>	<u>2,842</u>	<u>2,653</u>	<u>3,190</u>	<u>3,617</u>
TOTAL LIABILITIES	<u>21,915</u>	<u>19,751</u>	<u>27,504</u>	<u>50,652</u>	<u>56,251</u>
MINORITY INTERESTS	<u>20,924</u>	–	5,984	–	–
NET ASSETS	<u>440,696</u>	<u>386,521</u>	<u>327,205</u>	<u>221,150</u>	<u>126,190</u>

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FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital and details of the Company's share options and warrants during the year, together with the reasons therefor, are set out in notes 29 and 30 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

During the period from 10 June 2003 to 13 June 2003, by virtue of exercise of the rights granted by the Company's shareholders to the directors under general mandate, the Company repurchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in aggregate 9,600,000 of its ordinary shares of HK\$0.10 each at a total consideration before expenses of approximately HK\$2,630,250. The subject shares were cancelled after repurchases and the issued share capital of the Company was reduced by the nominal value thereof.

Other than the foregoing, 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 Company and the Group during the year are set out in note 31(a) to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

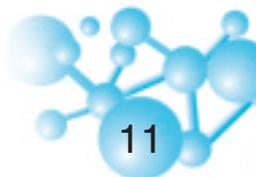
At 30 June 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$9,410,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's subscription rights reserve, with a balance of approximately HK\$24,543,000 as at 30 June 2003, may be distributed as new shares in the Company, as and when applied in paying up the nominal amount of shares to be issued upon exercise of subscription rights adhering to the Company's outstanding warrants.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases from the Group's five largest suppliers accounted for approximately 48% of the total purchases for the year and the purchases from the largest supplier included therein amounted to 13 %.

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



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DIRECTORS

The directors of the Company during the year were as follows:

Executive directors

Mr. Ng Leung Ho
Mr. Ng Leung Tung
Ms. Lee Ming Hin

Non-executive directors

Mr. Chen Ming Kui
Mr. Lo Cheung Kin*
Mr. Zou Zi Ping*

* Independent non-executive directors of the Company

In accordance with the Company's bye-laws, Ms. Lee Ming Hin will retire and, being eligible, offer herself for re-election at the forthcoming annual general meeting.

Each of the non-executive directors of the Company is currently appointed for a term of two years commencing from 25 October 2002.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive directors

Mr. Ng Leung Ho, aged 55, is the Chairman and the founder of the Group. He is also the chairman of Zhongke Nanotech Engineering Center Co., Ltd., the jointly controlled entity of the Company engaged in the business of Nano technology applications. Mr. Ng has more than 34 years of experience in the design, manufacture, and trading of men's suits in Hong Kong and the PRC. Mr. Ng is currently a member of the 10th anniversary Chinese People's Political Consultative Conference and is a visiting professor at the Fujian Teachers University. Mr. Ng is responsible for the corporate strategic planning and formulation of corporate policies for the Group. In addition, Mr. Ng oversees the Group's product development and industrialization efforts in various areas of Nano technology, made possible through the application of results obtained from research undertaken by the Group's joint venture of Zhongke Nanotech Engineering Center Co., Ltd.

Mr. Ng Leung Tung, aged 36, is the Deputy Chairman and joined the Group in 1991. Mr. Ng Leung Tung is responsible for the overall management of the Group's factory in Putian City and oversees the sales and marketing of the Group's products in the PRC market. Mr. Ng Leung Tung is a brother of Mr. Ng Leung Ho.

Ms. Lee Ming Hin, aged 49, is an executive director and joined the Group in 1991. Prior to joining the Group, Ms. Lee had more than 13 years of experience in raw material procurement, sales and marketing in the apparel industry. Ms. Lee currently oversees the general administration, finance, personnel functions and raw material procurement of the Group.



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Non-executive directors

Mr. Chen Ming Kui, aged 49, is a senior economist and was a member of the 9th National People's Congress of the PRC. Mr. Chen is currently a part-time professor at the Fujian Teachers University. Mr. Chen has extensive experience in corporate management, trading and retailing.

Mr. Lo Cheung Kin, aged 55, graduated from the Fujian Teachers University in 1975. Mr. Lo is a director of the companies under the Victorfield Group in Hong Kong, a private investment group engaged in property development, management and investment, construction, trading and securities business in Hong Kong and the PRC. Mr. Lo has more than 25 years of experience in corporate management, the tourism and hospitality industry, and property investment, development and management in the PRC. Mr. Lo is also an executive director of Buildmore International Limited, a company listed on the Stock Exchange. Mr. Lo is an independent non-executive director of the Company.

Mr. Zou Zi Ping, aged 49, is currently the general manager of the Fuzhou Lakeside Hotel and the managing director of the Fuzhou Lakeside Hotel Management Company. Mr. Zou is the visiting assistant professor of the Fujian Teachers University and Fujian Minjiang University. Mr. Zou has extensive experience in the hotel industry in the PRC. Mr. Zou is an independent non-executive director of the Company.

Senior management

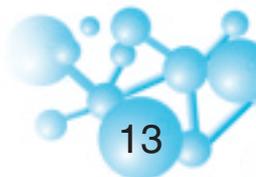
Mr. Lam J Fung, aged 36, is the financial controller and the company secretary of the Company. Mr. Lam obtained a bachelor degree in Social Science from the University of Hong Kong and is a member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. Prior to joining the Group, Mr. Lam has over 12 years of experience in auditing, accounting and finance.

Mr. Zhong Ming Cheng, aged 50, is a director of Digital 910 Limited and the managing director of Zhongke Nanotech Engineering Center Co., Ltd., the Group's joint venture company engaged in the business of Nano technology applications. Mr. Zhong graduated from the School of Business Administration of Management Executive Officer College, Jiangsu province in 1984 and the School of Business Administration of the Chinese Communist Party School, Jiangsu province with a bachelor's degree in 1994, and obtained a post-graduate qualification from the School of Finance and Economics of Suzhou University in 1997. Mr. Zhong joined the Group in 2001. He is a senior economist and has more than 23 years of experience in general management and administration in various industries. Mr. Zhong currently takes up his principal duties as oversee of the general management and business development of Zhongke Nanotech.

Mr. Fan Feng, aged 40, is the managing director of Digital 910 Limited. Mr. Fan graduated from the School of Computer Science of Shanghai Jiao Tong University in 1982. Mr. Fan joined the Group in 2001. He is a computer engineer and has more than 20 years of experience in software development and investment banking industry. Mr. Fan currently oversees the business development function of the hi-tech business of the Group.

Mr. Lin Jin Guo, aged 39, is the deputy general manager of Digital 910 Limited. Mr. Lin obtained his doctoral degree from the Harbin Engineering University in 1989. Mr. Lin joined the Group in 2001. He is a computer engineer and has more than 15 years of experience in software development. He currently oversees the technical aspects of the hi-tech business development function of the Group.

Mr. Chen Chun Lu, aged 53, is the general manager of Good Fellow Garment (Fujian) Co., Ltd.. Mr. Chen joined the Group in 2001 and has more than 22 years of experience in general management and administration. Mr. Chen currently oversees the general administration function of Good Fellow Garment (Fujian) Co., Ltd.



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DIRECTORS' SERVICE CONTRACTS

Mr. Ng Leung Ho, Mr. Ng Leung Tung and Ms. Lee Ming Hin have entered into service contracts with the Company, which is renewable automatically for successive terms of one year unless terminated by either party giving not less than three months' notice in writing.

Save as disclosed above, no director of the Company 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

No director of the Company had a significant beneficial interest, either directly or indirectly, 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.

MANAGEMENT CONTRACTS

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES

At 30 June 2003, the interests of the directors and chief executives of the Company, all of which are long positions, in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company were as follows:

Name of director	Number of ordinary shares/underlying shares held			Percentage of shareholding
	Personal interests	Corporate interests	Total	
Mr. Ng Leung Ho	68,146,000(a)	960,000,000(b)	1,028,146,000	43.4%

Notes:

- (a) The personal interest of Ng Leung Ho comprises 60,946,000 shares and 7,200,000 underlying shares in respect of share options granted by the Company to him, the details of which are stated in the section headed "Shares Options" and note 30 to the financial statements. The aforesaid interest is held by Mr. Ng Leung Ho as beneficial owner.
- (b) These shares are owned by Golden Prince Group Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Golden Prince Group Limited is beneficially owned by Mr. Ng Leung Ho.

Save as disclosed above, none of the directors and chief executive of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company or The Stock Exchange pursuant to the Model Code for Securities transaction by Directors of Listed Companies.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share options" below, at no time during the year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

WARRANTS

Details of the Company's warrants issued during the year and outstanding as at the balance sheet date are set out in note 29 to the financial statements.

SHARE OPTIONS

The Company operates a share option scheme under which options may be granted to eligible participants including directors and employees of the Company and its subsidiaries to subscribe for new shares in the Company. Details of the Company's share option scheme and options outstanding during the year are set out in note 30 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares	Percentage of shareholding
Golden Prince Group Limited	960,000,000	40.6%

The entire issued share capital in Golden Prince Group Limited is in turn beneficially owned by Mr. Ng Leung Ho, whose interests in shares of the Company are disclosed in the section headed "Interests of directors and chief executives in securities".

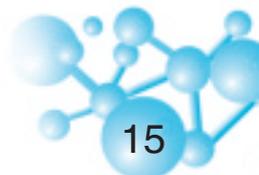
Save as disclosed above, at 30 June 2003, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses for which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

USE OF PROCEEDS

During the year, the Company raised additional capital through the placement of warrants to subscribe for new shares in the Company. The resulting net proceeds realized amounted to approximately HK\$24,543,000 and has been utilized for general working capital of the Group and for future investment.



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CODE OF BEST PRACTICE

In the opinion of the directors of the Company, the Company complied with the Code of Best Practice (the “Code”), as set out in appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises three non-executive directors of the Company, namely, Mr. Chen Ming Kui, Mr. Lo Cheung Kin and Mr. Zou Zi Ping.

AUDITORS

Pursuant to resolution reached by shareholders of the Company in a Special General Meeting held on 18 July 2003, Ernst & Young were removed as auditors of the Company and RSM Nelson Wheeler were appointed as auditors of the Company. Apart from the foregoing, there were no other changes to the auditors of the Company for the preceding three financial years.

The accompanying financial statements for the year ended 30 June 2003 were audited by RSM Nelson Wheeler who shall retire. A resolution for the appointment of auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Leung Ho
Chairman

Hong Kong
27 October 2003

