

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 September 2000.

### 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 15 to the financial statements.

There were no changes in the nature of the Group's principal activities during the year.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 September 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 79.

An interim dividend of 7 HK cents per ordinary share was paid on 10 July 2000. The directors recommend the payment of a final dividend of 12.8 HK cents per ordinary share in respect of the year to shareholders on the register of members on 7 March 2001. This recommendation has been incorporated in the financial statements.

### FINANCIAL INFORMATION SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 9. This summary is not part of the audited financial statements.

### SEGMENT INFORMATION

Details of the Group's turnover and contribution to profit from operating activities are set out in note 4 to the financial statements.

### FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 14 to the financial statements.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

## REPORT OF THE DIRECTORS

### JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Group's interests in its jointly-controlled entities and associates are set out in notes 16 and 17 to the financial statements, respectively.

### BORROWINGS

Details of the Group's borrowings are set out in notes 21 to 23 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 reasons therefor, are set out in note 26 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 its existing shareholders.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited and these shares were all subsequently cancelled by the Company. Further details of these transactions are set out in note 26 to the financial statements. Except as disclosed in note 26 to the financial statements, the Company did not redeem any of its listed securities and neither the Company nor any of its subsidiaries purchased 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 are set out in note 27 to the financial statements.

### DISTRIBUTABLE RESERVES

At 30 September 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of The Companies Act 1981 of Bermuda (as amended), amounted to HK\$126,840,000. In addition, the Company's share premium account, in the amount of HK\$275,941,000, may be distributed in the form of fully paid bonus shares.

## REPORT OF THE DIRECTORS

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$10,000.

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 39% of the total sales for the year and sales to the largest customer included therein amounted to 11%. Purchases from the Group's five largest suppliers accounted for 44% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21%.

None of the directors of the Company or any of their associates or 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 the Group's five largest customers or five largest suppliers.

### DIRECTORS

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

#### **Executive directors:**

Lam Foo Wah

Ip Weng Kun

So Siu Hang, Patricia

Hui Yip Wing

Wong Shing Loong, Raymond

Jack Weinstock *(appointed on 27 September 2000)*

#### **Non-executive directors:**

Poon Hon Kam

Woo King Wai, David *(independent director)*

Chan Wah Tip, Michael *(independent director)*

In accordance with the Company's bye-laws, Miss So Siu Hang, Patricia, Mr. Woo King Wai, David and Mr. Jack Weinstock will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## REPORT OF THE DIRECTORS

### 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 pages 15 to 17.

### EMOLUMENTS OF DIRECTORS AND OF THE FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the directors of the Company and those of the five highest paid employees of the Group are set out in notes 8 and 9 to the financial statements, respectively.

### DIRECTORS' SERVICE CONTRACTS

Messrs. Lam Foo Wah and Ip Weng Kun each entered into a service contract with the Company with effect from 1 August 1992 for an initial term of three years and continuing thereafter until terminated by either party giving to the other not less than six months' notice.

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

Mr. Chan Wah Tip, Michael, a director of the Company, was interested in contracts for the provision of secretarial and legal advisory services to the Group. Further details of the transactions undertaken in connection therewith are included in note 32 to the financial statements. Save for the foregoing, no director had a material interest 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.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARES

At 30 September 2000, the interests of the directors in the share capital of the Company and its subsidiaries as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

#### (i) The Company

Name of director	Notes	Number of ordinary shares held and nature of interest		
		Personal	Family	Other
Poon Hon Kam	1,5	–	–	59,269,074
Lam Foo Wah	2,3,5	–	–	109,026,655
Ip Weng Kun	4,5	–	–	33,492,198
So Siu Hang, Patricia		1,436,961	–	–
Hui Yip Wing		–	2,652,007	–
Wong Shing Loong, Raymond		2,500,000	–	–
Jack Weinstock		932,000	–	–

#### (ii) Subsidiary – High Fashion Knitters Limited

Name of director	Note	Nature of interest	Number of ordinary shares held
Lam Foo Wah	6	Corporate	5,339,431

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARES *(Continued)*

*Notes:*

1. Mr. Poon Hon Kam is deemed to have an interest in 31,404,724 ordinary shares which are beneficially owned by Excel Investments Ltd., the entire issued share capital of which is held under a related discretionary trust.
2. Mr. Lam Foo Wah is deemed to have an interest in 10,164,569 ordinary shares which are beneficially owned by Annick Investment Limited, the entire issued share capital of which is held under a related discretionary trust.
3. Mr. Lam Foo Wah is deemed to have an interest in 70,997,736 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust.
4. Mr. Ip Weng Kun is deemed to have an interest in 5,627,848 ordinary shares which are beneficially owned by Major Rank Holdings Limited, the entire issued share capital of which is held under a related discretionary trust.
5. Messrs. Poon Hon Kam, Lam Foo Wah and Ip Weng Kun are deemed to have interests in 27,864,350 shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust.
6. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

The interests of the directors in the share options of the Company are separately disclosed in the section "Directors' rights to acquire shares".

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company, its subsidiaries or any of its associated corporations as defined in the SDI Ordinance.

## REPORT OF THE DIRECTORS

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of director	Number of share options outstanding at 30 September 1999 and 2000	Exercise price of share options HK\$
Lam Foo Wah	3,800,000	0.505
Ip Weng Kun	1,500,000	0.505
So Siu Hang, Patricia	1,200,000	0.505
Wong Shing Loong, Raymond	1,000,000	0.505
Jack Weinstock	500,000	0.505
	<u>8,000,000</u>	

*Note:* 40% of the options granted are exercisable during the period from 5 May 2002 to 4 May 2009, 30% of the options granted are exercisable during the period from 5 May 2003 to 4 May 2009 and the remaining 30% are exercisable during the period from 5 May 2004 to 4 May 2009.

Save as disclosed above, 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 their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Further details of the Company's share option scheme are set out in note 26 to the financial statements.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS

At 30 September 2000, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of ordinary shares held	%
Hinton Company Limited	70,997,736	23
Excel Investments Ltd.	31,404,724	10

These interests have also been disclosed as the interests of Messrs. Lam Foo Wah and Poon Hon Kam respectively under the section “Directors’ interests in shares”.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests in shares”, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 33 to the financial statements.

### RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer’s retirement benefits costs charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

### AUDIT COMMITTEE

The audit committee has reviewed with the auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited final results.



## REPORT OF THE DIRECTORS

### CODE OF BEST PRACTICE

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

### AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Lam Foo Wah**

*Managing Director*

Hong Kong, 10 January 2001



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