

The Directors present their report together with the audited accounts for the year ended 28 February 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 12 to the accounts.

An analysis of the Group's performance for the year by geographical and business segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28 February 2002 are set out in the consolidated profit and loss account on page 29.

The Directors do not recommend the payment of any dividend.

FINANCIAL SUMMARY

The financial summary of the Group is set out on page 66.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 11 to the accounts.

EMPLOYEES

At 28 February 2002, the Group has a total of 1,547 employees of which 158 are based in Hong Kong and 1,389 are based in China. The Group has structured training programs provided for all employees. Outside consultants are invited as lecturers to enrich the scope of the programs.

Remuneration packages are updated on a periodic basis. Employees are rewarded with bonuses and share options according to the assessment of individual performance.

**REPORT OF THE
DIRECTORS**

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Chan Kui Tim, Jimmy (*Chairman*)

(appointed on 1 December 2001)

Chui Kwan Ho, Jacky

Lam Sing Hung, Danny

Yiu Chun Kit, Kelvin

(appointed on 18 September 2001)

Lee Keung (*Lee Tze Bun, Marces*)

(resigned on 1 December 2001)

Lui Miu Lan, Winnie

(resigned on 1 December 2001)

Tsui Oi Kuen, Doris

(resigned on 1 December 2001)

Wong Sau Han, Carmen

(resigned on 1 November 2001)

Independent Non-executive Directors

Wong Kong Chi

(appointed on 5 February 2002)

Barry John Buttifant

(resigned on 5 February 2002)

Law King Wan

REPORT OF THE DIRECTORS

In accordance with bye-laws 86(2) and 169(2) of the Company's Bye-laws, Mr. Chan Kui Tim, Jimmy, Mr. Barry John Buttifant and Mr. Yiu Chun Kit, Kelvin retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors 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, SENIOR MANAGEMENT BIOGRAPHIES

Executive Directors

Chan Kui Tim, Jimmy, aged 53, joined the Group as Chairman in December 2001. He is a graduate of the University of Alberta in Canada and is a member of the Canadian Institute of Chartered Accountants and an associate member of the Hong Kong Society of Accountants. Prior to joining the Group, he had held senior management positions in various publicly listed companies in Hong Kong, including manufacturing, retailing & distribution and shipping industries.

Chui Kwan Ho, Jacky, aged 39, is the Managing Director of the Group and Chief Executive Officer of Maior Ltd. She is responsible for shoes manufacturing operation of the Group.

Lam Sing Hung, Danny, aged 48, serves as Chief Executive Officer for China operations and corporate development of the Group. Mr. Lam joined the Group in 1995 with over 20 years of business experience in consumer products and services in Asia Pacific region.

Yiu Chun Kit, Kelvin, aged 43, joined the Group as Finance Director in September 1998 and become Executive Director in September 2001. Mr. Yiu is a qualified accountant of Hong Kong, Great Britain and Canada, and has 18 years of financial and accounting experience. He is now responsible for the Hong Kong retail business operations.

REPORT OF THE
DIRECTORS

Independent Non-Executive Directors

Wong Kong Chi, aged 44, is a qualified accountant and has substantial experience in merchant banking. He also acts as independent non-executive director of several listed companies in Hong Kong. He joined the Group in 1994.

Barry John Buttifant, aged 57, joined the Group in February 2002 as independent non-executive director. Mr. Buttifant is the Managing Director of Wo Kee Hong (Holdings) Limited since May 2001. Prior to joining Wo Kee Hong (Holdings) Limited, Mr. Buttifant was the Managing Director of IDT International Limited for over 8 years and worked for Sime Darby Hong Kong Limited and Polly Peck Group for more than 13 years in the capacity of either Finance Director and Managing Director during the period. He is also an independent non-executive director of Giordano International Limited; Daiwa Associate Holdings Limited; and Dransfield Holdings Limited. Mr. Buttifant is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. He is also a fellow member of the Chartered Management Institute; the Hong Kong Management Association and the Hong Kong Institute of Directors.

DIRECTORS, SENIOR MANAGEMENT BIOGRAPHIES *(Continued)*

Senior Management

Lau Shun Wai, Alice, aged 31, joined the Group in 1992, and is the regional marketing manager of the Group. She obtained her MBA in Financial Management in England. She has 9 years of merchandising and marketing experience.

Ku Hok Ping, Perry, aged 46, Information Technology Director of the Group. Mr. Ku holds a B.Sc. degree obtained from Canada and a MBA from Great Britain. He joined the Group in January 1998 and has over 22 years experience in computer industry with 16 years in retail sector.

Wong Wai Kwan, Anita, aged 46, joined the Group in February 2002 as the financial controller and company secretary. Ms. Wong has over 22 years of experience in auditing, accounting and financial management. She is a qualified accountant of Hong Kong, United Kingdom and Canada, and also a master degree holder in Business Administration.

Lee Wing Kam, Jackie, aged 41, joined the Group in 1984. In August 1999, she has been appointed as Assistant General Manager of Shunde Shuang Qiang Property Development Company Limited, responsible for real estate business in China.

Chu Tsui Lan, Jackie, aged 32, joined the Group in 1992. In 1 March 2002, she has been appointed as Regional Retail Manager of the Group. She has over 10 years of retail experience in Hong Kong and China and is responsible for China retail business operations.

Mak Ping Fai, Mike, aged 36, holds a BBA degree, joined the Group in 1992. Mr. Mak serves as the Deputy Group Human Resources Manager and is responsible for human resources and training functions.

PARTICULARS OF SHARES HELD BY DIRECTORS

At the balance sheet date, the interests of the Directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained under section 29 of the SDI Ordinance were as follows:

Name of Directors	Number of shares of HK\$0.10 each of the Company		
	Personal Interests	Other Interests	Total Interests
Mr. Chan Kui Tim, Jimmy	15,000,000 <i>(note 1)</i>	–	15,000,000
Ms. Chui Kwan Ho, Jacky	2,500,000	50,000,000 <i>(note 2)</i>	52,500,000
Mr. Lam Sing Hung, Danny	1,380,000	–	1,380,000

Notes :

- (1) According to paragraph 6(1)(b) of the Schedule of Part 1 of the SDI Ordinance, Mr. Chan is deemed to have an interest in 15,000,000 shares of HK\$0.10 each of the Company pursuant to an option granted by an existing shareholder of the Company to purchase the shares.
- (2) Mr. Lee Keung and Ms. Chui Kwan Ho, Jacky in their capacity as trustees of The Lee Keung Charitable Foundation ("Charitable Foundation") together hold 50,000,000 shares, representing approximately 11.15% of the issued share capital of the Company.

During the year, the Company did not grant to any Director or their spouse or children under 18 years of age any rights to subscribe for shares of the Company.

REPORT OF THE
DIRECTORS

SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, according to the register of interests required to be kept by the Company under section 16(1) of the SDI Ordinance, the shareholders who were interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of shares
LTB Trustee as trustee of the LTB Trust	155,000,000
LK Trustee as trustee of the LK Trust	50,000,000
Mr. Lee Keung and Ms. Chui Kwan Ho, Jacky as trustees of the Charitable Foundation	50,000,000

Save as disclosed above, as at the balance sheet date, according to the register kept by the Company pursuant to section 16(1) of the SDI Ordinance and so far as the Directors were aware, there were no persons who directly or indirectly, held or were interested in 10% or more of the nominal value of any class of share capital of the Company.

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.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the connected transactions as detailed below, no contracts of significance in relation to the Group's business to which the Company or 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.

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following transactions with "connected persons" for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"):

The Group rented a shop located in Macau from Mr. Lee Keung ("Mr. Lee"), a substantial shareholder of the Group, as retail outlet in Macau. The gross floor area rented is approximately 1,120 sq.ft. and rental expenses for the year is approximately HK\$1,288,000.

The Group also provided administrative services to Fornari International Limited, in which Mr. Lee is a shareholder. The fee for these services for the year was approximately HK\$1,067,000.

These are connected transactions by virtue of Mr. Lee's shareholding in the Company and are also related party transactions (see also note 28 to the accounts).

ARRANGEMENT TO PURCHASE SHARES AND DEBENTURES

A Share Option Scheme is maintained by the Company under which eligible employees of the Group, including Executive Directors of the Company, may be granted options to subscribe for shares in the Company. The Share Option Scheme is designated to act as an incentive to employees and executives of the Group. The maximum entitlement of each participant is 25 per cent of the aggregate number of shares issued or issuable under the Share Option Scheme. The maximum number of shares in respect of options may be granted (together with options exercised and options then outstanding) under the Scheme and any other Share Option Schemes of the Company will not be 10 per cent of the issued share capital of the Company from time to time excluding shares issued under the Share Option Scheme. The subscription price was determined by the board of directors of the Company but was not less than 80 per cent of the average closing prices of the shares on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of an option or the nominal value of the share, whichever is higher. Each share option entitles the holder to subscribe for one share of HK\$0.10 each in the Company at a predetermined price. The cash consideration to be paid for each grant of option is HK\$1.00, with full amount of the subscription price for the shares to be made upon exercise of an option. Details of outstanding share options as of 28 February 2002 granted to and accepted by Executive Directors under the scheme are as follows:

Name of Director	Date of share options granted/accepted	Lapsed during the year	Number of outstanding options	Subscription price per share
Ms. Chui Kwan Ho, Jacky	19 August 1994	-	600,000	HK\$0.767
	8 February 1996	-	750,000	HK\$0.67
Mr. Lam Sing Hung, Danny	8 February 1996	-	500,000	HK\$0.67
Ms. Lui Miu Lan, Winnie**	19 August 1994	-	600,000	HK\$0.767
	8 February 1996	-	600,000	HK\$0.67
Ms. Tsui Oi Kuen, Doris**	19 August 1994	-	500,000	HK\$0.767
Ms. Wong Sau Han, Carmen*	19 August 1994	300,000	-	HK\$0.767
	8 February 1996	350,000	-	HK\$0.67

* Ms. Wong resigned as director of the Company with effect from 1 November 2001.

** Ms. Lui and Ms. Tsui resigned as directors of the Company with effect from 1 December 2001.

All these share options are exercisable 12 months on or after dates of acceptance and will expire on the 10th anniversary from dates of acceptance.

No option were exercised by the Executive Directors during the year.

Except for the above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE
DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares 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 existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods and services to its five largest customers.

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

- | | |
|-----------------------------------|-----|
| - the largest supplier | 24% |
| - five largest suppliers combined | 51% |

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

CODE OF BEST PRACTICE

With the exception that Non-executive Directors have not been appointed for a specific term of office but retire from office on a rotational basis, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 28 February 2002.

AUDIT COMMITTEE

In compliance with the requirements of The Stock Exchange of Hong Kong Limited, an audit committee was formed in 1999. The committee composed of two Independent Non-executive Directors and report to the Board of Directors. The audit committee reviews matters within the purview of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders. Two meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Kui Tim, Jimmy
Chairman

Hong Kong, 3 June 2002