

The directors of the Company (the "Directors") present their first report and the audited financial statements of the Group for the year ended 31 March 2002.

Corporate Reorganisation

The Company was incorporated as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 4 January 2001. The Company has established a head office and principal place of business in Hong Kong and was registered on 30 January 2001 as an overseas company under Part XI of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong.

Pursuant to the reorganisation exercise to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the other companies comprising the Group on 9 November 2001 by principally issuing shares in exchange for the entire issued share capital of Addlink Limited.

Details of the reorganisation are set out in the paragraph headed "Corporate reorganisation" in Appendix V of the prospectus dated 23 November 2001 issued by the Company (the "Prospectus").

Principal Activities

The Company acts as an investment holding company. Its subsidiaries and an associate are principally engaged in the manufacture, on an OEM basis, and export of men's, ladies' and children's knitted-to-shape garments mainly to the United States and Europe. Details of the principal activities of the Company's subsidiaries and an associate are set out in notes 12 and 13 respectively to the financial statements.

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 contribution to profit by business segments and geographical market for the year ended 31 March 2002 is set out in note 37 to the financial statements.

Major Customers and Suppliers

For the year ended 31 March 2002, the five largest customers of the Group together accounted for approximately 67% of the Group's total turnover, with the largest customer accounted for approximately 25% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was approximately 39% of the total purchase of the Group for the year ended 31 March 2002, with the largest supplier accounted for approximately 14% of the Group's total purchase.

At no time during the year did any Director, any associate of a Director, or any shareholder of the Company, which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers mentioned above.

Results

Details of the results of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 16 of the Annual Report.

Dividend

The Board of Directors now recommends a final dividend of 4.6 HK cents per share for the year ended 31 March 2002 payable to shareholders whose names are on the Register of Members of the Company as at 20 August 2002, amounting to HK\$10,874,000, and the retention of remaining profit for the year of HK\$33,233,000.

Subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on 20 August 2002, the final dividend of 4.6 HK cents per share will be payable on 28 August 2002.

Financial Summary

A financial summary of the Group for the past four financial years is set out on page 50 of the Annual Report.

Reserves

Movements in reserves of the Group during the year and that of the Company from the date of incorporation to 31 March 2002 are set out in note 26 to the financial statements.

Borrowings

The Group has borrowings amounted to HK\$661,000 as at 31 March 2002.

Charitable Donations

Charitable donations by the Group for the year ended 31 March 2002 amounted to HK\$12,145.

Property, Plant And Equipment

During the year, the Group expended approximately HK\$2,021,000 in land and buildings, approximately HK\$3,918,000 in plant and machinery and approximately HK\$2,036,000 in motor vehicles.

Movements in the property, plant and equipment of the Group for the year ended 31 March 2002 are set out in note 11 to the financial statements.

Share Capital

Movements in the share capital of the Company from the date of incorporation to 31 March 2002 are set out in note 25 to the financial statements.

Directors

The Directors during the year were:

Executive directors

Mr Cheng Chi Tai
Mr Cheng Kwai Chun, John
Mr Lin Chick Kwan
Mr Lin Wing Chau

Non-executive director

Ms Yip, Galy Ka Lai

Independent Non-executive directors

Ms Ko Hay Yin, Karen
Mr Ho Kai Wa, Francis

Each of the non-executive and independent non-executive Directors has a fixed term of appointment which is subject to retirement in accordance with the Bye-laws of the Company.

In accordance with the Bye-laws of the Company, Mr Lin Chick Kwan, Mr Lin Wing Chau, Ms Yip, Galy Ka Lai, Ms Ko Hay Yin, Karen and Mr Ho Kai Wa, Francis will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company 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).

The biographical details of Directors and senior management are set on pages 7 and 8 of the Annual Report.

Directors' Interests in Securities

At 31 March 2002, the interests of the Directors and their associates in the securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong (the "SDI Ordinance") as recorded in the register kept under section 29 of the SDI

Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Name of directors	Number of ordinary shares held	
	Personal interests	Corporate interests
Mr Cheng Chi Tai	–	27,360,000 (Note 1)
Mr Cheng Kwai Chun, John	–	120,840,000 (Note 2)
Mr Lin Chick Kwan	7,980,000	–
Mr Lin Wing Chau	7,980,000	–
Ms Yip, Galy Ka Lai	–	120,840,000 (Note 3)

Notes:

1. These shares are held by Best Ahead Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr Cheng Chi Tai.
2. These shares are held by Pictet Overseas Trust Corporation Limited, the trustee of The Cheng Family Holding Trust, the discretionary beneficiaries of which include Mr Cheng Kwai Chun, John and his son who is under the age of 18. Pictet Overseas Trust Corporation Limited is incorporated in the Commonwealth of Bahamas.
3. These shares are held by Pictet Overseas Trust Corporation Limited, the trustee of The Cheng Family Holding Trust, the discretionary beneficiaries of which include Mr Cheng Kwai Chun, John, the spouse of Ms Yip, Galy Ka Lai and their son who is under the age of 18.

Share Option Scheme

The Company's share option scheme ("the Scheme"), was adopted pursuant to a shareholders' resolution passed on 9 November 2001 for the primary purpose of providing incentives to directors and eligible employees of the Group. Under the Scheme, the Board of Directors of the Company may grant options to eligible full time employees of the Company and its subsidiaries, including any executive and non-executive directors of the Company and its subsidiaries, to subscribe for shares in the Company, at a price equal to the higher of: (1) the nominal value of the shares; or (2) the average closing prices of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of grant of the options; or (3) the closing price of the shares as stated in the

Stock Exchange's daily quotations on the date of grant of the options, which must be a business day.

Options granted must be taken up not later than 28 days after the date of grant of the option. The exercise period for the share options granted is determinable by the Directors, which may not expire later than 10 years from the date of grant. In the absence of such determination, the exercise period would commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme. A price of HK\$1 is payable by the grantee upon acceptance of the grant of option under the Scheme.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 22,800,000 shares of the Company, being 10% of the shares in issue upon completion of the share offer and the capitalisation issue as stated in the Prospectus.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme of the Company in any 12-month period must not exceed 1% of the shares of the Company in issue on the date of grant.

No options under the Scheme were granted or exercised during the year and there were no outstanding options at 31 March 2002.

No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

Director's Rights to Acquire Shares or Debentures

Apart from disclosed under the headings "Directors' Interests in Securities" and "Share Option Scheme" above, at no time during the year was the Company, or its subsidiaries, a party to any arrangement to enable the Directors and their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts

Other than the subcontracting fee paid to 普寧市高埔毛織製衣有限公司 as set out to note 35 to the financial statements, no Director has, or at any time during the year had, any interest, in anyway, directly or indirectly, in any contract with the Company or its subsidiaries which was significant in relation to the business of the Company.

Connected Transactions

The Group sold knitted-to-shape garments to Admiralty Pty. Ltd. of HK\$5,495,000 during the year, representing approximately 1.3% of the total turnover of the Group. Admiralty Pty. Ltd. is wholly owned by the daughter of Mr Cheng Chi Tai and her husband.

The Group carried out sub-contracting work for Real Company Limited and the sub-contracting income received therefrom amounted to HK\$23,294,000, representing approximately 5.4% of the total sub-contracting income of the Group during the year. Real Company Limited is beneficially owned as to 100% by a substantial shareholder of a subsidiary of the Company.

The independent non-executive Directors have reviewed the aforesaid connected transactions and confirmed that:

- (i) the transactions have been entered into by the Company in the ordinary and usual course of its business;
- (ii) the transactions have been conducted either (a) on normal commercial terms (which expression is applied by reference to transactions of a similar nature and to be made by similar entities) or (b) where there is no available comparison, on terms that are fair and reasonable so far as the independent shareholders of the Company concerned; and

- (iii) the transactions have been entered into either (a) in accordance with the terms of the agreements governing the transactions or (b) where there are no such agreements, on terms on less favourable than those available to or from independent third parties.

Competing Interests

As at 31 March 2002 the interest of Mr Cheng Chi Tai that competes or may compete with the business of the Group is set out below:

Entity that competes or may complete with business of the Group	Position of the director in the entity	Competing business of the entity
Kong Shing Knitting Factory	Partner	Garment manufacturing (Note 1)
Dongguan Boji Knitting Garment Co., Ltd.	Director	Garment manufacturing (Note 2)

Save as disclosed above, none of the Directors had any interest in a business which competes or may compete with the business of the Group.

Note1: Mr Cheng Chi Tai and Ms Chan Hung Ching, the other partner of Kong Shing Knitting Factory, executed a deed of non-competition in favour of the Company on 1 November 2001. Details of which are set out in the Prospectus.

Note2: Dongguan Boji Knitting Garment Co., Ltd. is a sino-foreign equity joint venture established in the PRC which was held as to 70% by Kong Shing Knitting Factory and 30% by an independent party. On 31 October 2001, Dongguan Boji Knitting Garment Co., Ltd. gave a non-competition undertaking to the Company that it will not directly or indirectly carry on any business or undertake any investment which may compete with the business of the Group.

Use of Proceeds

The net proceeds from the Listing, after deduction of related expenses, amounted to approximately HK\$29,000,000. Included in the net proceeds, HK\$22,000,000 was planned for financing the construction of factory premises in both Thailand and China and set up sales office in United States, the remaining proceeds used as additional working capital of the Group. As at 31 March 2002, approximately HK\$3,072,000 was utilised as planned.

Purchase, Sale and Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing.

Substantial Shareholders

As at 31 March 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses the following persons as having an interest of 10% or more in the issued share capital of the Company:

Name	Number of shares held	Percentage held
Pictet Overseas Trust Corporation Limited (Note 1)	120,840,000	approximately 51.12%
Best Ahead Limited (Note 2)	27,360,000	approximately 11.57%
Mr Cheng Chi Tai (Note 2)	27,360,000	approximately 11.57%

Note1: Pictet Overseas Trust Corporation Limited is incorporated in the Commonwealth of Bahamas and is the trustee of The Cheng Family Holding Trust, a discretary trust, the beneficiaries of which are Mr Cheng Kwai Chun, John, the Director, and other family members of Mr Cheng Chi Tai.

Note2: Best Ahead Limited is incorporated in the British Virgin Island, the entire issued share capital of which is beneficially owned by Mr Cheng Chi Tai.

Code of Best Practice

Since the Listing, the Company has been in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code").

Audit Committee

To comply with the Code, the Company set up an Audit Committee on 9 November 2001 for the purposes of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Audit Committee comprises two independent non-executive Directors.

Auditors

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

Pre-emptive Rights

There are no provision 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.

On behalf of the Board

Cheng Chi Tai

Chairman

Hong Kong, 10 July 2002