

## Disclosure of Further Corporate Information

Set out below is information disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

### **(A) COMMENTARY ON RESULTS**

#### **(I) Review of 2001/2002 Results and Segmental Performance**

Group loss attributable to Shareholders for the year ended 31 March 2002 amounted to HK\$85.1 million. Loss per share was 5.3 cents.

The Group's turnover for the year was HK\$487.8 million, compared with HK\$944.4 million (including HK\$256.2 million

turnover contributed by the Armani franchise) for the previous 15-month reporting period. The sharp decrease is mainly due to the anticipated termination of the Group's Armani franchise which expired in January 2001. As compared with the corresponding 12-month period in the previous year, the Group's turnover for the year under review showed a decrease of 9.5% excluding turnover contributed by the Armani franchise of HK\$191.8 million, and a decrease of 33.3% taking Armani franchise turnover into account. The drop, in general, reflected the poor consumer sentiment in the year. The gross margin for the year was eroded by the severe competition and consequently heightened price promotion activities and partly by the closure sale of the Ad Hoc shops. Operating costs have, in general, reduced as a result of the termination of the Armani business and the stringent control exercised by the Company. The Group loss attributable to Shareholders for the year is HK\$85.1 million, which includes an exceptional additional provision of HK\$21.8 million for inventories due to a change in accounting estimates of the stock provision policy and a HK\$4.4 million closure cost incurred for the Ad Hoc division. The Group loss before exceptional items is HK\$58.9 million.

No provision for Hong Kong and overseas profits tax has been made as there were no net assessable profits generated during the year.

#### **(II) Liquidity and Financial Resources**

At 31 March 2002, the Group's total net deposits and cash amounted to HK\$207.9 million, representing total deposits and cash of HK\$213.7 million less total bank borrowings of HK\$5.8 million which are all repayable within one year.

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Most of the Group's imported purchases are denominated in foreign currencies, primarily being Euro. To minimise exposure on foreign exchange fluctuations, the Group will from time to time review its foreign exchange position and, when it considers appropriate and necessary, will hedge its foreign exchange exposure by way of forward foreign exchange contracts. The amount of forward foreign exchange contracts outstanding as at 31 March 2002 is set out in Note 18 to the Accounts on page 74.

### (III) Finance

During the year under review, the Group secured and renewed banking facilities in a total amount of HK\$184.0 million (period ended 31 March 2001 — HK\$224.7 million).

With its cash holdings and available banking facilities, the Group believes that it will have sufficient fund to pursue new potential investment opportunities.

### (IV) Employee

The Group has approximately 390 staff. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group provides various job-related training programmes to staff when necessary. Total staff costs for the year ended 31 March 2002 amounted to HK\$87.7 million.

## **(B) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGER**

### (I) Directors

*Walter K. W. MA, Chairman (Age: 72)*

Mr. Ma is the Chairman of the Company. He is the husband of Joyce Ma and a co-founder of the Company. He has practised as a Certified Public Accountant in Hong Kong since 1962, and is a Fellow of the Hong Kong Society of Accountants and an Associate of the Australian Society of Certified Practising Accountants. Mr. Ma is also the chairman of The Sincere Company, Limited ("Sincere") and a director of several companies in Hong Kong.

*Joyce E. MA, Chief Executive Officer (Age: 61)*

Mrs. Ma is the Chief Executive Officer and a co-founder of the Company. She is responsible for the Group's strategic and merchandising policies. Mrs. Ma, born in Shanghai, is the recipient of numerous international honours including the Chevalier de l'Ordre de la Couronne (Belgium, 1994), and the Ufficiale dell'Ordine al Merito della Repubblica Italiana, and is a member of the Italian Fashion Hall of Fame (1995).

*Adrienne M. MA, Managing Director (Age: 37)*

Ms. Ma joined the Company in 1989. She is the Managing Director of the Company. Ms. Ma is a daughter of Mr. and Mrs. Walter Ma. She is responsible for the direction, development and implementation of corporate strategies, marketing strategies and programmes of the Group. Ms. Ma graduated from Simmons College in the United States with a Bachelor Degree in International Management and Marketing.

*Michael E. BRILLHART, Director (Age: 55)*

Mr. Brillhart became a Director of the Company in September 2000. He has over 25 years of senior management experience in the international prestige cosmetics industry with Elizabeth Arden in the United States and Parfums Christian Dior in the Far East.

Michael C. KALYK, *Director (Age: 62)*

Mr. Kalyk became a Director of the Company in August 2000. He is the president of the Marco Polo hotels division of The Wharf (Holdings) Limited (“Wharf”).

Eric F. C. LI, *Director (Age: 73)*

Mr. Li was appointed an Independent Non-executive Director in 1990. He is also the managing director of The Kowloon Dairy Limited and a director of several companies in Hong Kong.

Gonzaga W. J. LI, *Director (Age: 73)*

Mr. Li became a Director of the Company in August 2000. He is also the senior deputy chairman of Wheelock and Company Limited (“Wheelock”) and Wharf, the chairman of Harbour Centre Development Limited (“HCDL”), New Asia Realty and Trust Company, Limited (“New Asia”) and Marco Polo Developments Limited (“MPDL”). Furthermore, he is the chairman of Wheelock (Hong Kong) Limited (“Wheelock HK”) and Wheelock Pacific Limited (“WPL”), which, as well as Wheelock, are each deemed under the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

Eric K. K. LO, *Director (Age: 53)*

Mr. Lo was appointed an Independent Non-executive Director in 1998. He is also a non-executive director of Sincere, a director of Hsin Chong Land Limited and a director of several companies in Hong Kong.

Yvette T. MA, *Director (Age: 38)*

Ms. Ma was appointed a Non-executive Director in 1993. She is a daughter of Mr. and Mrs. Walter Ma. Ms. Ma graduated from Brown University in the United States with a Bachelor

Degree in Business Economics and had previously worked for an international bank in the field of corporate finance.

Stephen T. H. NG, *Director (Age: 49)*

Mr. Ng became a Director of the Company in August 2000. He is also the deputy chairman and managing director of Wharf, and the chairman and chief executive officer of i-CABLE Communications Limited (“i-CABLE”). Mr. Ng serves as a member of the Hong Kong-United States Business Council. Furthermore, he is the deputy chairman of Wheelock, which is deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

T. Y. NG, *Director (Age: 54)*

Mr. Ng became a Director of the Company in October 2000. He is also a director of Wharf, HCDL, New Asia, Realty Development Corporation Limited and MPDL. Furthermore, he is a director of Wheelock, which is deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

Paul Y. C. TSUI, *Director (Age: 55)*

Mr. Tsui became a Director of the Company in August 2000. He is also an executive director of Wharf, a director of Wheelock, HCDL, i-CABLE and MPDL, as well as being the group financial controller of Wheelock and Wharf. Furthermore, he is a director of Wheelock HK, Wheelock International Limited and WPL, which, as well as Wheelock, are each deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

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Harry S. S. WONG, *Director (Age: 46)*

Mr. Wong became a Director of the Company in February 2002.

He is also a director of Wheelock, which is deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

### (II) Senior Manager

Horace W. C. LEE, *Finance Director (Age: 42)*

Mr. Lee joined the Group in 1991. He is responsible for finance, human resources, management information, property and administration of the Group. Mr. Lee is an associate member of the Hong Kong Society of Accountants and the Chartered Institute of Management Accountants of U.K.

### (C) PENSION SCHEMES

Details of the pension schemes of the Group and the employers' pension costs charged to the profit and loss account for the year under review are set out in Notes 1 and 3 to the Accounts on pages 54 and 60 respectively.

The total employers' pension cost in respect of all pension schemes of the Group, including the cost related to the Mandatory Provident Fund which is not operated by the Group, charged to profit and loss account during the year ended 31 March 2002 amounted to HK\$2.2 million.

### (D) SHARE OPTION SCHEME (THE "Scheme")

#### (I) Summary of the Scheme

##### (a) Purpose of the Scheme:

To provide employees and the executives of the Group with

the opportunity of participating in the growth of the Company by granting the option.

##### (b) Participants of the Scheme:

A full-time employee or an executive director of the Company or any subsidiary (the "Executive") and has on the day preceding the date of offer been such an employee or executive director for at least six months and any other employee or executive director of the Company or any subsidiary nominated by the Directors of the Company to be an Executive.

##### (c) (i) Total number of ordinary shares of HK\$0.1 each in the capital of the Company (the "Shares") available for issue under the Scheme as at 31 March 2002:

160,000,000

##### (ii) Percentage of the issued share capital that it represents as at 31 March 2002:

10%

##### (d) Maximum entitlement of each participant under the Scheme as at 31 March 2002:

No option may be granted to any one Executive which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the maximum aggregate number of Shares in the capital of the Company in respect of which options may at that time be granted under the Scheme.

##### (e) Period within which the Shares must be taken up under an option:

Within five years from the date on which the option is granted or such shorter period as the Board of Directors may approve.

- (f) Minimum period for which an option must be held before it can be exercised: Six months from the date on which the option is granted.
- (g) (i) Price payable on application or acceptance of the option: HK\$10
- (ii) The period within which payments or calls must or may be made or loans of such purposes must be repaid: 28 days after the offer date of an option
- (h) Basis of determining the exercise price: Pursuant to rule 17.03 (9) of the Listing Rules, the exercise price must be at least the higher of:
- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (ii) the average closing price of the Shares as stated in the
- Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.
- (i) The remaining life of the Scheme : Five years

## (II) Details of share options granted

Details of share options granted to Directors of the Company are set out in the section headed "Directors' Interests in Shares" in the Report of the Directors.

Particulars, and movements during the financial year, of the Company's outstanding share options, which were granted to nine employees (including all those Directors who were granted share options) working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, are as follows:

Date Granted	No. of ordinary share represented by unexercised options outstanding as at 01/04/2001	No. of ordinary share represented by options lapsed during the financial year	No. of ordinary share represented by unexercised options outstanding as at 31/03/2002	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options	Consideration paid for the options granted
(i) 4 Nov 1997	14,900,000	(1,600,000)	13,300,000	08/04/1998 to 07/10/2002	HK\$0.475	HK\$10
(ii) 28 Jun 2000	19,800,000	—	19,800,000	26/12/2000 to 25/06/2005	HK\$0.186	HK\$10

## (E) MAJOR CUSTOMERS & SUPPLIERS

For the year under review, sales to the five largest customers accounted for less than 1% of the total sales for the year.

Purchases from the five largest suppliers accounted for 40% of the total purchases for the year and the purchases from the largest supplier included therein amounted to 15%.

As far as the Directors are aware, neither the Directors, their associates, nor those Shareholders whom to the knowledge of the Directors own more than 5% of the Company's share capital, had any interest in the Group's five largest customers or suppliers.

## (F) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules of the Stock Exchange.

Five Directors of the Company, namely, Messrs. G. W. J. Li, S. T. H. Ng, T. Y. Ng, P. Y. C. Tsui and H. S. S. Wong, being also directors of the Company's parent company, namely, Wheelock and/or certain subsidiaries of Wheelock, are considered as having an interest in Wheelock under paragraph 8.10 of the Listing Rules.

Part of the retailing businesses carried out by Wheelock group

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constitutes a competing business of the Group. The Lane Crawford store and some other retail businesses carried on by the Wheelock group to a certain extent constitute competing businesses of the Group. Nevertheless, since the retail businesses of the Group are primarily targeted at different sectors of the market and would attract customers of different spending power or habit compared to those carried on by the Wheelock group, the Group considers that its interests in the relevant sector of retailing business is adequately safeguarded. For safeguarding the interests of the Group, the independent non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's retailing businesses are and continue to be run on the basis that they are independent of, and at arm's length from, that of the Wheelock group.

### **(G) CONNECTED TRANSACTIONS**

(I) There existed during the year under review certain tenancy or concession agreements which were entered into prior to 1 April 2001 between wholly-owned subsidiary(ies) of the Company as the tenant or concessionaire and certain connected persons of the Company as follows:

- (a) certain retail premises at Tsimshatsui, Kowloon known as G118 at Harbour City owned by a wholly-owned subsidiary of Wharf with the relevant tenancy terminated on 2 January 2002 as agreed by both parties;
- (b) certain retail premises at Tsimshatsui, Kowloon known as

Shops 201 and 201A on Deck 2 at Ocean Terminal owned by a wholly-owned subsidiary of Wharf with the relevant tenancy expiring on 18 February 2004; and

- (c) certain retail spaces inside the Lane Crawford Store operated by a wholly-owned subsidiary of Wheelock at Times Square, Causeway Bay, with the relevant concession agreement expiring on 31 January 2003.

Since the Company is a 52%-owned subsidiary of Wheelock, while Wharf is a 48%-owned associate of Wheelock, the abovementioned transactions constitute connected transactions for the Company.

The estimated aggregate amount of the annual rent, exclusive of air-conditioning charges, management fee and promotional charges, under the abovementioned tenancies and concession agreements in any one of the three fiscal years of the Company ending 31 March 2004 would range from HK\$2.4 million to HK\$8.5 million.

- (II) Furthermore, on 24 August and 20 December 2001, two tenancy agreements in respect of Shop 209 at Ocean Terminal (the "First Premises") and Shop G106 at Harbour City (the "Second Premises") were entered into between a wholly-owned subsidiary of the Company as the tenant and a wholly-owned subsidiary of Wharf as the landlord, whereby the landlord let to the tenant the First Premises for a term of 3 years from 3 September 2001 to 2 September 2004 and the Second Premises for a term of 2 years from 2 January 2002 to 1 January 2004.

For the same reason stated above, the transactions constitute connected transactions for the Company.

The estimated aggregate amount of the annual rent, exclusive

of air-conditioning charges, management fee and promotional charges, under the two tenancies in any one of the three fiscal years of the Company ending 31 March 2004 would range from HK\$0.6 million to HK\$10.0 million.

(III) Conditional waivers granted by the Stock Exchange

As all of the Connected Transactions are and will continue to be conducted on an ongoing basis, it is considered that strict compliance with the relevant requirements (the “Requirements”) relating to the Connected Transactions under Chapter 14 of the Listing Rules would be impractical. On application by the Company, the Stock Exchange granted to the Company conditional waivers from strict compliance with the Requirements in respect of the Connected Transactions.

(IV) Confirmation from the Directors

The Directors, including the Independent Non-executive Directors, of the Company have reviewed the Connected Transactions and confirmed that the Connected Transactions were:

- (i) entered into by the Group in the ordinary and usual course of its business;
- (ii) conducted either (1) on normal commercial terms (which expression will be applied by reference to connected transactions of a similar nature and to be made by similar entities), or (2) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders of the Company are concerned; and
- (iii) entered into either (1) in accordance with the terms of the agreements governing such Connected Transactions or (2) (where there are no such agreements) on terms no less

favourable than those available to or from independent third parties.

*Note: Certain particulars of the related party transactions entered into by the Group during the year under review have been disclosed in Note 20 to the Accounts on page 75. Such related party transactions also constitute connected transactions (as defined in the Listing Rules) for the Company as disclosed above.*

**(H) COMPLIANCE WITH CODE OF BEST PRACTICE**

The Company has complied throughout the financial year the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange except that: (I) the independent Non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company’s bye-laws; (II) matters regarding certain tenancies with the Wheelock and Wharf groups as disclosed under the section headed “Connected Transactions” in the preceding paragraph, were approved by resolutions in writing of the Directors of the Company (being technically as valid as and equivalent to resolutions passed at a Directors’ meeting), and not approved by resolutions passed at a full board meeting of the Company as stipulated under paragraph 11 of the abovementioned Code of Best Practice.