

REPORT OF THE DIRECTORS

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

Principal activities

The principal activity of the Company is investment holding. The subsidiaries are engaged in the retailing, export and production of casual wear. The principal activities of the Group have not significantly changed during the year.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

Results and dividends

The Group's profit for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 79.

An interim dividend of HK2.70 cents (2001: HK3.30 cents) per share was paid on 11 January 2002. The directors recommend the payment of a final dividend of HK7.50 cents (2001: HK7.50 cents) per share in respect of the year to shareholders on the register of members on 9 September 2002. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

Five year financial summary

A summary of the published results and 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 pages 80 and 81 of the annual report. This summary does not form part of the audited financial statements.

Fixed assets and investment property

Details of movements in the fixed assets and investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

Share capital and share options

Details of the Company's share capital and share options during the year are set out in note 30 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

Distributable reserves

The total amount of reserves of the Company available for cash distribution was HK\$795,577,000 as at 31 March 2002, as computed in accordance with The Companies Act 1981 of Bermuda (as amended). In addition, the Company's share premium account, in the amount of HK\$268,668,000 as at 31 March 2002 may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

Directors

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

Executive

Mr. Charles Yeung, J.P. (*Chairman*)
Mr. Yeung Chun Fan (*Vice-chairman*)
Mr. Yeung Chun Ho
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman
Ms. Cheung Wai Yee

Independent non-executive

Mr. Wong Man Kong, Peter, J.P.
Mr. Lau Hon Chuen, G.B.S., J.P.

In accordance with clause 110(A) of the Company's bye-laws, Mr. Yeung Chun Ho and Mr. Pau Sze Kee, Jackson will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' service contracts

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 of compensation, other than statutory compensation.

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Directors' interests in contracts

Save as disclosed in notes 36 and 37 to the financial statements, 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.

Directors' interests in securities

As at 31 March 2002, the interests of the directors in the securities of the Company or its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Number of shares held				Number of share options held
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Charles Yeung, J.P.	-	-	627,844,000 <i>note (a)</i>	-	-
Mr. Yeung Chun Fan	-	-	627,844,000 <i>note (a)</i>	-	5,940,000
Mr. Yeung Chun Ho	-	-	32,430,000 <i>note (b)</i>	-	10,000,000
Mr. Pau Sze Kee, Jackson	9,370,000	-	-	-	9,962,000
Mr. Hui Chung Shing, Herman	6,250,000	-	-	-	10,000,000
Ms. Cheung Wai Yee	6,730,000	-	-	-	9,898,000
Mr. Lau Hon Chuen, G.B.S., J.P.	956,000	-	-	-	-

Notes:

(a) 394,954,000 shares were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Mr. Charles Yeung, J.P. and as to 48.066% by Mr. Yeung Chun Fan) and 232,890,000 shares were held by Advantetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Mr. Charles Yeung, J.P. and as to 48.066% by Mr. Yeung Chun Fan), which together represented approximately an aggregate of 62.748% of the total number of issued shares of the Company.

(b) 32,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho, which represented approximately 3.241% of the total number of issued shares of the Company.

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Directors' interests in securities (Continued)

Save as disclosed above, none of the directors, or their spouse or children under 18 years of age of any such director had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debentures

Apart from as disclosed under the headings "Directors' interest in securities" above and "Share option scheme" below, 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 Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the executive directors and other full-time employees of the Group. The Scheme became effective on 2 September 1996 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2002, the number of shares issuable under share options granted under the Scheme was 82,870,000, which represented approximately 8.282% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 2.5% of the shares of the Company in issue at any time.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The subscription price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average closing price of the ordinary shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (ii) the nominal value of the ordinary shares of the Company.

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Share option scheme (Continued)

The following share options granted under the Scheme were outstanding during the year:

Name or category of participant	Number of shares in respect of options				Share options			
	At 1 April 2001 '000	During the year			At 31 March 2002 '000	Date of grant*	Subscription Price** HK\$	Exercise period
		Exercised '000	Lapsed '000	Cancelled '000				
Directors								
Mr. Yeung Chun Fan	5,940	-	-	-	5,940	31/10/1997	1.800	31/10/1997 to 30/10/2007
Mr. Yeung Chun Ho	10,000	-	-	-	10,000	31/10/1997	1.800	31/10/1997 to 30/10/2007
Mr. Pau Sze Kee, Jackson	2,962	-	-	-	2,962	30/08/1997	2.564	16/09/1997 to 29/08/2007
	7,000	-	-	-	7,000	31/10/1997	1.800	31/10/1997 to 30/10/2007
Mr. Hui Chung Shing, Herman	10,000	-	-	-	10,000	31/10/1997	1.800	31/10/1997 to 30/10/2007
Ms. Cheung Wai Yee	2,404	-	-	-	2,404	30/08/1997	2.564	16/09/1997 to 29/08/2007
	7,494	-	-	-	7,494	31/10/1997	1.800	31/10/1997 to 30/10/2007
	45,800	-	-	-	45,800			
Other employees in aggregate	16,800	-	-	(800)	16,000	16/06/1997	2.876	15/06/2000 to 14/06/2007
	13,612	-	(228)	-	13,384	30/08/1997	2.564	16/09/1997 to 29/08/2007
	7,686	-	-	-	7,686	31/10/1997	1.800	31/10/1997 to 30/10/2007
	83,898	-	(228)	(800)	82,870			

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Share option scheme (Continued)

No theoretical value of share options is disclosed as no share options were granted during the year.

- * *The vesting period of the share options is from the date of the grant until the commencement of the exercise period.*
- ** *The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

Summary details of the Scheme are also set out in note 30 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time when the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional issued share capital at the nominal value of the shares, and the excess of the subscription price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

Directors' and senior management's biographies

Executive Directors

Mr. Charles Yeung, J.P., alias YEUNG Chun Kam, aged 55, is the founder and Chairman of the Group. He is responsible for the Group's business strategies and corporate policies. Mr. Yeung has over 30 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. He is an advisory professor of the East China University and the Tianjin Polytechnic University and a visiting professor of the Xi'an Institute of Science and Technology (formerly Northwest Institute of Textile Science and Technology) in the Mainland China. Mr. Yeung is also a Member of the National Committee of Chinese People's Political Consultative Conference, the President of Guangdong Chamber of Foreign Investors, the Honorary Permanent Chairman of The Hong Kong General Chamber of Textiles Limited and the President Honoris Causa of Hong Kong Young Industrialists Council. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advantetex Holdings (BVI) Limited which are the substantial shareholders of the Company (as disclosed in the section headed "Substantial Shareholders" in this Report).

Mr. YEUNG Chun Fan, aged 49, is the Vice-chairman and General Manager of the Group which he joined in 1975. Mr. Yeung is the Chairman and an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, an advisory professor of the East China University, the Nanjiang University, the Tianjin Polytechnic University and the Beijing Institute of Clothing Technology. Mr. Yeung is a Member of the Standing Committee of the Hebei Committee of The Political Consultative Conference, a Honorary Vice President of the China Textile Engineer Society and a Vice-president of the Federation of Hong Kong Garment Manufacturers. Mr. Yeung is responsible for the Group's overall business operations. He is a brother of Mr. Charles Yeung and Mr. Yeung Chun Ho. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advantetex Holdings (BVI) Limited which are the substantial shareholders of the Company (as disclosed in the section headed "Substantial Shareholders" in this Report).

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Directors' and senior management's biographies (Continued)

Mr. YEUNG Chun Ho, aged 57, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Yeung has over 25 years of experience in the garment industry. He is responsible for the Group's weaving and dyeing operations as well as the woven apparel manufacturing operations in the Philippines and Bangladesh. Mr. Yeung is a brother of Mr. Charles Yeung and Mr. Yeung Chun Fan.

Mr. PAU Sze Kee, Jackson, aged 51, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the Group's retail operations in Australia and the administrative and financial matters of the Group's production operations in the Philippines and Bangladesh.

Mr. HUI Chung Shing, Herman, aged 52, is the Chief Administrator of the Group. He is responsible for the administration, personnel, public relations and staff training of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui had been the Group's external legal advisor.

Ms. CHEUNG Wai Yee, aged 50, joined the Group in 1975 and is responsible for the Group's woven apparel manufacturing and export sales operations as well as assisting in the development of retail business in the Mainland China. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Independent Non-Executive Directors

Mr. WONG Man Kong, Peter, J.P., aged 53, is a graduate of the University of California at Berkeley in U.S.A. with a bachelor of science degree in Mechanical Engineering (Naval Architecture) and was an awardee of the "Young Industrialist Award of Hong Kong" in 1988. Mr. Wong is the Chairman of M.K. Corporation Ltd., a director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited and Sun Hung Kai & Co., Ltd. and the Chairman of North West Development Ltd. He is a Deputy of the 9th National People's Congress of the PRC, Executive Vice Chairman of Hong Kong Pei Hua Education Association. He also serves as Economic Adviser to Xinjiang Autonomous Region, Qinghai Province as well as Lanzhou Municipal Government. Academically, he holds title of Honorary Professor in Lanzhou University and The Central University for Nationalities.

Mr. LAU Hon Chuen, alias Ambrose, G.B.S., J.P., aged 54, obtained a bachelor's degree in Laws from the University of London. He is a solicitor and a China-Appointed Attesting Officer. He is also a Member of the Board of the Urban Renewal Authority, a Member of the National Committee of Chinese People's Political Consultative Conference and a Member of the Legislative Council of the Hong Kong Special Administrative Region.

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Directors' and senior management's biographies (Continued)

Senior Management

Mr. CHOW Hing Ping, aged 53, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Chow is responsible for the administration and financial matters of the production and retail operations of the Group in Hong Kong and the Mainland China.

Mr. FUNG Hing Keng, aged 52, joined the Group in 1978 and is a Deputy General Manager of the Group. Mr. Fung has 30 years of experience in the garment industry. He is responsible for the woven apparel manufacturing operations in the Mainland China and assists in the development of the retail operations in the same area.

Mr. LEE Fung Tai, aged 54, joined the Group in 1983 and is the head of the knitwear division responsible for production. Mr. Lee has over 30 years of experience in the garment industry. He is a substantial shareholder of the companies under the knitwear division. Mr. Lee is a Member of the Beijing Committee of the Political Consultative Conference.

Mr. LI Fung Lok, aged 52, joined the Group in 1983 and is the head of the knitwear division responsible for administration and export sales. Mr. Li has over 30 years of experience in the garment industry. Mr. Li is a substantial shareholder of the companies under the knitwear division.

Ms. CHEUNG Man Yee, Carmen, aged 51, joined the Group in 1982 and is responsible for the Group's product development and marketing operations. Ms. Cheung graduated from the University of Hawaii in U.S.A. with a bachelor's degree in Arts. Prior to joining the Group, she was the manager of the sales and purchase department in one of the largest department stores in U.S.A. Ms Cheung is the sister of Ms. Cheung Wai Yee.

Mr. David Joseph BOTTA, aged 43, is the Chief Executive Officer of the Group's retail operations in Australia and New Zealand. Mr. Botta holds a bachelor degree of business studies from the University of Technology in Sydney, Australia. Before joining the Group in 2001, Mr. Botta worked in various retailing and wholesale jobs in Australia and Europe.

Mr. LIU Cheung Yuen, alias Timon LIU, aged 44, joined the Group in 1994 and is the Company Secretary of the Company. Mr. Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is also a fellow of the Hong Kong Society of Accountants, and a member of both The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Company Secretaries. Before joining the Group, Mr. Liu worked in a number of international accounting firms and investment holding companies for many years.

Mr. LAI Man Sum, alias Sam LAI, aged 41, joined the Group in 1991 and is the Chief Accountant of the Group. Mr. Lai graduated from the University of Hong Kong with a bachelor's degree in Social Sciences and is a fellow of the Chartered Association of Certified Accountants in the United Kingdom and a Member of the Hong Kong Society of Accountants. Before joining the Group, Mr. Lai worked for an international accounting firm and a garment company for many years.

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Substantial shareholders

As at 31 March 2002, the register kept by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

Name	Number of shares held		Percentage of issued share capital
	Direct interest	Deemed interest	
Mr. Charles Yeung, J.P.	–	627,844,000	62.748%
Mr. Yeung Chun Fan	–	627,844,000	62.748%
Glorious Sun Holdings (BVI) Limited	394,954,000	–	39.472%
Advancetex Holdings (BVI) Limited	232,890,000	–	23.275%

Note: Mr. Charles Yeung, J.P. and Mr. Yeung Chun Fan were deemed to be interested in 627,844,000 shares, of which 394,954,000 shares related to the parcel of shares held by Glorious Sun Holdings (BVI) Limited and 232,890,000 shares related to the parcel of shares held by Advancetex Holdings (BVI) Limited.

Save as disclosed above, no other parties were recorded in the register as having an interest of 10% or more of the issued share capital of the Company as at 31 March 2002.

Purchase, redemption or sale of the Company's listed securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Connected transactions

Details of the connected transactions of the Group during the year are set out in note 36 to the financial statements.

Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

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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 the two independent non-executive directors of the Company.

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

Charles Yeung, J.P.

Chairman

Hong Kong

15 July 2002