



## Report of the Directors

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

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries consisted of the sale of garments, the trading and distribution of leather, fur and garment accessories. In the prior year, the Group diversified its business by way of an investment in a coal-fired electricity power plant (the "Power Plant") located in the Fujian Province, the People's Republic of China (the "PRC"), for an indirect equity interest of 12.6%. During the year, the Group further acquired a 27.0% attributable interest in the Power Plant, and thus the Group's investment in the Power Plant amounted to 39.6%. Further details are set out in notes 17, 18 and 34 to the financial statements.

Save as disclosed above, there were no changes in the nature of the principal activities of the Group 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 of the Group at that date are set out in the financial statements on pages 24 to 74.

The directors recommend the payment of a final dividend of HK0.05 cent per ordinary share, to shareholders on the register of members on 23 August 2002. This recommendation has been incorporated in the financial statements as an allocation of retained profits within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements in respect of the year.

### **SUMMARY FINANCIAL INFORMATION**

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Group's published audited financial statements, is set out below. The amounts for the year ended 31 March 2001 in the summary financial information have been adjusted for the effect of the retrospective changes in accounting policy affecting dividends, as detailed in notes 2, 5 and 11 to the financial statements.



**SUMMARY FINANCIAL INFORMATION** (Continued)

**Results**

	<b>Year ended 31 March</b>				
	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i> (Restated)	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Turnover	<b>72,429</b>	42,910	68,167	288,275	517,806
Profit/(loss) before tax	<b>14,299</b>	(5,796)	(68,783)	(110,373)	10,566
Tax	<b>268</b>	4,500	–	338	(2,627)
Profit/(loss) before minority interests	<b>14,567</b>	(1,296)	(68,783)	(110,035)	7,939
Minority interests	<b>(163)</b>	–	–	–	–
Net profit/(loss) from ordinary activities attributable to shareholders	<b>14,404</b>	(1,296)	(68,783)	(110,035)	7,939

**Assets, Liabilities and Minority Interests**

	<b>As at 31 March</b>				
	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i> (Restated)	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Non-current assets	<b>174,538</b>	100,183	20,922	33,285	41,960
Current assets	<b>102,021</b>	70,880	117,106	180,221	294,955
Total assets	<b>276,559</b>	171,063	138,028	213,506	336,915
Current liabilities	<b>24,907</b>	49,243	56,703	110,568	149,720
Non-current liabilities	<b>10,853</b>	10,999	66,203	29,045	24,867
Total liabilities	<b>35,760</b>	60,242	122,906	139,613	174,587
Minority interests	<b>1,148</b>	5	5	5	5
	<b>239,651</b>	110,816	15,117	73,888	162,323



#### **FIXED ASSETS AND INVESTMENT PROPERTIES**

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

#### **SHARE CAPITAL, SHARE OPTIONS AND WARRANTS**

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in note 27 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 existing shareholders.

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

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

#### **RESERVES**

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements.

#### **DISTRIBUTABLE RESERVES**

At 31 March 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$6,549,000 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 approximately HK\$149,740,000 at 31 March 2002, may be distributed in the form of fully paid bonus shares.

#### **CONVERTIBLE NOTE**

Details of the Company's convertible note are set out in note 26 to the financial statements.



**MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of sales attributable to the Group's five largest customers accounted for approximately 46% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 14%.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 17% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 8%.

As far as the directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

**DIRECTORS**

The directors of the Company during the year were as follows:

**Executive directors:**

Mr. Chan Chun Keung  
Mr. Chau On Ta Yuen  
Mr. Poon Chak Keung  
Mr. Pu Ziren  
Mr. Chan Kin

**Independent non-executive directors:**

Mr. Dominic Lai  
Mr. Chan Kam Man

Subsequent to the balance sheet date, on 14 May 2002, Mrs. Leissner Judy was appointed a director of the Company, and on 27 June 2002, Mr. Pu Ziren resigned as a director of the Company.

The term of office for each of the independent non-executive directors of the Company is two years commencing from their respective dates of appointment, but they may be re-elected to serve consecutive terms.



**DIRECTORS** (Continued)

In accordance with clause 111 of the Company's bye-laws, Mr. Dominic Lai and Mr. Chan Kam Man, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

**DIRECTORS' BIOGRAPHIES**

Biographical details of the directors of the Company are set out on pages 10 to 11 of this Annual Report.

**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.

**DIRECTORS' INTEREST IN CONTRACTS**

Save as disclosed in the section headed "Connected transaction" below and in note 34 to the financial statements, no director had a material interest, either direct or indirect, 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 SHARES AND WARRANTS**

At 31 March 2002, the interests of the directors and their associates in the share capital and warrants of the Company or its associated corporations, 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:

Name of director	Number of securities held and nature of interest			
	Personal	Family	Corporate	Other
Mr. Chan Chun Keung ( <i>note</i> )	55,160,000 shares	65,600,000 shares	1,903,200,000 shares	—
	—	—	HK\$4,744,000 warrants	—
Mr. Poon Chak Keung	85,000,000 shares	—	—	—



**DIRECTORS' INTERESTS IN SHARES AND WARRANTS (Continued)**

The interests of the directors in the share options and convertible note of the Company are disclosed in the section headed "Directors' rights to acquire shares or debentures" below.

*Note:* The 1,903,200,000 shares and HK\$4,744,000 warrants are all held through Century Enterprise Investments Inc. ("Century Enterprise"), a company incorporated in the British Virgin Islands (the "BVI"). Century Enterprise is beneficially owned by Mr. Chan Chun Keung, City Corner Limited ("City Corner") and a former director, Ms. Chan Hung, in the ratios of approximately 63.7%, 20.5% and 15.8%, respectively. City Corner is a company incorporated in the BVI with limited liability and whose entire issued share capital is beneficially held by Mr. Poon Chak Keung and Mr. Pu Ziren, in equal proportions.

In addition to the foregoing, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

In the prior year, the Company issued a convertible note with a principal amount of HK\$30,000,000 to Halligan Profits Limited ("Halligan") as part of the consideration for the acquisition of a 12.6% attributable interest in the Power Plant.

The convertible note carries the rights for the conversion of the note principal, in whole or in part and at the discretion of its holder, into 300,000,000 shares of the Company at a conversion price of HK\$0.10 per share during the period of 17 months commencing from 23 September 2000, being one month after the date of issue. The conversion price was adjusted to HK\$0.07 per share as a result of the rights issue of the Company in November 2000 and remained unchanged as a result of the open offer of the Company in June 2001. Further details of the convertible note are set out in note 26 to the financial statements.

Halligan is a company incorporated in the BVI and beneficially owned by Mr. Chan Chun Keung, Mr. Poon Chak Keung, Mr. Pu Ziren and an employee of the Company in the ratios of 90%, 5%, 3% and 2%, respectively. On 29 September 2000, Halligan made a distribution to its shareholders by way of assigning the full rights of the convertible note according to the respective shareholding in Halligan. Therefore, after the above assignment, Mr. Chan Chun Keung, Mr. Poon Chak Keung and Mr. Pu Ziren had interests in the convertible note in the principal amounts of HK\$27,000,000, HK\$1,500,000 and HK\$900,000, respectively. During the year, the convertible note was fully repaid.



**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES** (Continued)

Save as disclosed above and under the headings "Directors' interests in shares and warrants" 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 of the Company's directors 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.

**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 any employee of the Company or any of its subsidiaries (including any director of the Company or any of its subsidiaries). The Scheme was adopted on 15 April 1997 and became effective on 15 May 1997, and unless otherwise cancelled or amended, will remain in force for 10 years from the adoption date.

The maximum number of shares in respect of which options may be granted at any time under the Scheme shall not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares which have been duly allotted and issued pursuant to the exercise of any option granted under this Scheme). At 31 March 2002, the number of shares issuable under share options granted under the Scheme was 329,695,076, which represented approximately 4.4% of the Company's shares in issue at that date. No option may be granted to any eligible employee where the number of shares falling to be issued to the eligible employee upon the exercise thereof, when aggregated with the total number of shares issued or which would be issued to the eligible employee upon a prior or subsequent exercise of all other options granted to the eligible employee, would exceed 25% of the maximum number of shares that may be issued pursuant to the Scheme.

The Scheme shall be subject to the administration of the directors whose decision on all matters arising in relation to this Scheme or their interpretation or effect shall be final and binding on all persons who may be affected thereby.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The option period of an option may not end later than 10 years after the date of offer of the option.

The subscription price (subject to adjustments) of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the relevant date of offer; and (ii) the nominal value of the Company's shares.



**SHARE OPTION SCHEME (Continued)**

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

Name or category of participant	Exercise period		Exercise price HK\$	Notes	Number of share options			Date of grant of share options (note (ii))
	From	To			At 1 April 2001	Adjusted during the year (note (iii))	At 31 March 2002	
Mr. Chan Chun Keung	10 April 2000	9 April 2002	0.066	(i)(a)	17,142,857	1,038,961	18,181,818	10 April 2000
	16 January 2001	15 January 2006	0.016	(i)(b)	60,460,000	3,778,750	64,238,750	4 January 2001
Mr. Chau On Ta Yuen	10 April 2000	9 April 2002	0.066	(i)(a)	7,857,142	476,191	8,333,333	10 April 2000
	16 January 2001	15 January 2006	0.016	(i)(b)	20,000,000	1,250,000	21,250,000	4 January 2001
Mr. Poon Chak Keung	10 April 2000	9 April 2002	0.066	(i)(a)	17,142,857	1,038,961	18,181,818	10 April 2000
	16 January 2001	15 January 2006	0.016	(i)(b)	50,000,000	3,125,000	53,125,000	4 January 2001
Mr. Pu Ziren	10 April 2000	9 April 2002	0.066	(i)(a)	17,142,857	1,038,961	18,181,818	10 April 2000
	16 January 2001	15 January 2006	0.016	(i)(b)	50,000,000	3,125,000	53,125,000	4 January 2001
Mr. Dominic Lai	16 January 2001	15 January 2006	0.016	(i)(b)	5,000,000	312,500	5,312,500	4 January 2001
Mr. Chan Kam Man	16 January 2001	15 January 2006	0.016	(i)(b)	5,000,000	312,500	5,312,500	4 January 2001
					<u>249,745,713</u>	<u>15,496,824</u>	<u>265,242,537</u>	
<b>Other employees</b>								
In aggregate	10 April 2000	9 April 2002	0.066	(i)(a)	12,142,858	735,931	12,878,789	10 April 2000
	16 January 2001	15 January 2006	0.016	(i)(b)	48,540,000	3,033,750	51,573,750	4 January 2001
					<u>60,682,858</u>	<u>3,769,681</u>	<u>64,452,539</u>	
					<u>310,428,571</u>	<u>19,266,505</u>	<u>329,695,076</u>	





**SHARE OPTION SCHEME (Continued)**

*Notes:*

- (i) The exercise 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 as follows:
  - (a) The exercise price was adjusted from HK\$0.07 per share to HK\$0.066 per share as a result of the open offer of the Company in June 2001.
  - (b) The exercise price was adjusted from HK\$0.017 per share to HK\$0.016 per share following the open offer of the Company in June 2001.
- (ii) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (iii) The outstanding number of share options was adjusted from 310,428,571 to 329,695,076 following the open offer of the Company in June 2001.

None of the share options were exercised or cancelled during the year.

Summary details of the Company's share option scheme are set out in note 27 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 as 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 share capital at the nominal value of the shares, and the excess of the exercise 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.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes, which came into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors consider that it is in the interests of the Company to terminate the existing Scheme of the Company and to adopt a new share option scheme. An ordinary resolution will be proposed at the Company's shareholders' meeting for the approval of a new share option scheme and the termination of the Scheme.

The share options granted by the Company to the grantee under the existing Scheme will not be affected by the proposed new scheme.

## **Report of the Directors (Continued)**



### **SUBSTANTIAL SHAREHOLDERS**

At 31 March 2002, the following interests of 10% or more of the 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:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of the Company's share capital</b>
Blowin Limited	751,982,600	10.14

Save as disclosed above and in the section headed "Directors' interests in shares and warrants" above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

### **PENSION SCHEME AND COSTS**

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

In the opinion of the directors, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, at 31 March 2002.

### **POST BALANCE SHEET EVENT**

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

### **CONNECTED TRANSACTION**

On 3 July 2001, in accordance with the terms of an agreement of the same date, the Group acquired from For Good Investments Limited, a company beneficially owned by Mr. Chan Chun Keung, an executive director of the Company, an indirect 27% attributable interest in the Power Plant for an aggregate consideration of HK\$90,000,000. Further details of the transaction are included in note 34 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, throughout the accounting period covered by the Annual Report.

#### **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. The members of audit committee have reviewed the financial statements of the Group for the year ended 31 March 2002 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

#### **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

**Chan Chun Keung**  
*Chairman*

Hong Kong  
26 July 2002