

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

## **Principal Activities**

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and export of cotton based knitted garments for women, children and infants, property investments and garment bleaching and dyeing.

## **Results**

The results of the Group are set out in the consolidated income statement on page 14.

The directors of the Company do not recommend the payment of a dividend.

## **Major Suppliers and Customers**

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 33% and 61%, respectively, of the Group's purchases for the year under review.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 15% and 45%, respectively, of the Group's turnover for the year under review.

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 has a beneficial interest in the Group's five largest suppliers or customers.

## **Financial Summary**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 61.

## **Share Capital**

The movements of the Company's share capital during the year are set out in note 25 to the financial statements.

## **Reserves**

The movements in reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

## **Property, Plant and Equipment**

During the year, the Group spent approximately HK\$13,146,000 on acquisition of property, plant and equipment. The details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.



## Report of the Directors

### **Investment Properties**

The Group's investment properties were revalued as at 31 March 2002 by a firm of independent professional property valuers and the resulting deficit of HK\$10,270,000 is charged to the income statement. Details of these are set out in note 16 to the financial statements.

### **Principal Subsidiaries**

The details of the Company's principal subsidiaries at 31 March 2002 are set out in note 39 to the financial statements.

### **Borrowings and Interest Capitalised**

Borrowings which are repayable within one year or on demand are classified as current liabilities. Repayment schedules of the Group's borrowings are set out in notes 23 and 24 to the financial statements. No interest was capitalised by the Group during the year.

### **Directors**

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

#### **Executive directors:**

Koon Wing Yee	(President and Chief Executive Officer)
Tsang Yiu Kai	(Vice President)
Lui Yuk Chu	

#### **Independent non-executive directors:**

Chan Chi Chung  
Wong Sui Wah, Michael

In accordance with Clause 110 of the Company's Bye-laws, Chan Chi Chung and Wong Sui Wah, Michael retire by rotation and, being eligible, offer themselves for re-election.

None of the executive directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation). The independent non-executive directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

### Directors' Interests in Contracts and Connected Transactions

The independent non-executive directors have reviewed the connected transactions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) as set out in note 14 to the financial statements, and confirmed that these transactions had been transacted on normal commercial terms and in the ordinary course of business of the Group.

The Group made advances to Po Cheong International Enterprise Limited ("Po Cheong"), a non wholly-owned subsidiary, to finance the operation of its subsidiary. Such advances are unsecured, bear interest at prime rate and are repayable on demand. Interest payable by Po Cheong during the year amounted to HK\$291,000. At 31 March 2002, the amount of advances outstanding was HK\$9,453,000.

In addition, the Group also made advances to Mary Mac Apparel, Inc. ("Mary Mac"), a non wholly-owned subsidiary, to finance its operation. Such advances are unsecured, bear interest at 5% per annum and are repayable on demand. Interest payable by Mary Mac during the year amounted to HK\$170,000. At 31 March 2002, the amount of advances outstanding was HK\$11,085,000.

Save as disclosed above, there was no other contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

### Directors' Interests in Shares

At 31 March 2002, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(a) Interest in the Company:

Name of director	Number of shares of the Company held		
	Personal interests	Family interests	Corporate interests
<b>Executive directors:</b>			
Koon Wing Yee	—	810,541,134 (Note 1)	—
Lui Yuk Chu	—	—	810,541,134 (Note 2)
Tsang Yiu Kai	685,000	—	—
<b>Independent non-executive directors:</b>			
Chan Chi Chung	—	—	—
Wong Sui Wah, Michael	—	—	—

Notes:

1. Koon Wing Yee is the husband of Lui Yuk Chu whose corporate interests is also the family interest of Koon Wing Yee.
2. The Magical 2000 Trust, the beneficiaries of which include Lui Yuk Chu and members of her family, beneficially owns the entire issued share capital of Magical Profits Limited, which in turn owns 810,541,134 shares of the Company.



## Report of the Directors

(b) Interest in 21CN CyberNet Corporation Limited (“21CN”):

At 31 March 2002, Koon Wing Yee, Lui Yuk Chu and Tsang Yiu Kai are deemed to be holding a direct corporate interest in the shares of 21CN by virtue of their shareholdings in the Company. As at 31 March 2002, Touch Profits Limited, a wholly-owned subsidiary of the Company, holds 405,965,700 shares in 21CN.

No director held an interest in the securities of any subsidiaries of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 March 2002 except for the following:

- (a) certain nominee shares in subsidiaries held in trust for the Group; and
- (b) certain non-voting deferred shares in Wellmake Investments Limited, a subsidiary of the Company, held by the following directors:

<b>Name of director</b>	<b>Number of non-voting deferred shares held</b>
Koon Wing Yee	1
Lui Yuk Chu	1
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	2
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Save as disclosed above, at 31 March 2002 none of the directors and chief executives, or their associates, had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### **Directors’ Rights to Acquire Shares or Debentures**

Pursuant to a resolution passed on 18 February 2002, the Company’s existing share option scheme adopted on 10 January 1995 was terminated and replaced by the adoption of a new share option scheme (“the Scheme”). The Scheme is for the primary purpose of attracting, retaining and motivating talented employees, providing participants of the Scheme with opportunity to acquire proprietary interests in the Company and encouraging participants as incentives to work towards enhancing the value of the Company and will expire on 18 February 2012.

The total number of shares in respect of which options may be granted under the Scheme can be increased by not exceeding 10% of the shares of the Company in issue as at the date of the shareholders’ approval. The overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

Each grant of options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the approval of the independent non-executive directors of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted or to be granted to such person in the 12-month period representing in aggregate over 0.1% of the share in issued and having an aggregate value, based on the closing price of the shares, in excess of HK\$5,000,000, such further grant of options shall be subject to shareholders’ approval with the connected persons of the Company abstaining from voting.

Subject to the aforesaid, the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess the limit shall be subject to shareholders' approval with such grantee abstaining from voting.

Options granted must be taken up within 30 days from the date of grant. Consideration for each grant of HK\$1 is payable to the Company. Options granted under the Scheme will entitle the holder to subscribe for shares within ten years from the date the option is granted. The subscription price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant.

At 31 March 2002, there were no outstanding options.

A summary of the movements of the options granted to the directors of the Company during the year is as follows:

Name of director	Date of grant	Exercise price HK\$	Number of share options (adjusted as appropriate)				At 31 March 2002
			At 1 April 2001	Granted during the year	Adjustments*	Lapsed during the year	
Lui Yuk Chu	10 April 2001	0.124	—	10,958,000	—	(10,958,000)	—
	19 July 2001	0.135	—	10,958,000	(10,958,000)	—	—
		0.132*	—	—	11,207,045	(11,207,045)	—
Tsang Yiu Kai	10 April 2001	0.124	—	10,958,000	—	(10,958,000)	—

\* The number of share options and the corresponding exercise price have been adjusted as a result of rights issue of shares of the Company during the year.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the directors and employees because of the absence of a readily available market value of the share options on the ordinary shares of the Company. Accordingly, the directors were unable to arrive at any assessment of the value of these share options.

No share options have been exercised by the directors during the year.

On 19 June 2002, 11,030,000 share options were granted to Tsang Yiu Kai at an exercise price of HK\$0.067 per share.

Save as disclosed above, at no time during the year was the Company or any of 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 debt securities (including debentures), of the Company or any other body corporate.



## Report of the Directors

### **Substantial Shareholders**

As at 31 March 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital.

### **Purchase, Sale and Redemption of Shares**

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

### **Post Balance Sheet Events**

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

### **Corporate Governance**

The Company has complied throughout the year ended 31 March 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

### **Pre-emptive Rights**

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

### **Donations**

During the year, the Group made donations amounting to HK\$10,000.

### **Auditors**

Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the preceding three years.

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

On behalf of the Board

*PRESIDENT AND CHIEF EXECUTIVE OFFICER*  
Hong Kong, 23 July 2002