

REPORT OF THE DIRECTORS

The directors herein 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 principal activities of its subsidiaries comprise the manufacture, trading and distribution of garments, operation of restaurant business and property investment and development.

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 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 33 to 91.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year, payable to the shareholders on the register of members of the Company on 29 August 2002. This recommendation has been incorporated in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

The table set out below summarises the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Group, after making appropriate adjustments and reclassifications. The amounts for each year in the five year summary have been adjusted for the retrospective changes in accounting policy affecting dividends as detailed in notes 2 and 12 to the financial statements.

	2002 HK\$'000	2001 HK\$'000 (Restated)	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000 (Restated)
RESULTS					
TURNOVER	641,453	1,005,073	1,153,223	1,003,064	1,017,450
PROFIT FROM OPERATING ACTIVITIES	56,868	73,216	73,835	65,361	63,842
Finance costs	(15,041)	(16,823)	(20,371)	(37,047)	(42,236)
Share of profits less losses of:					
Jointly-controlled entity	(993)	(768)	(844)	(1,458)	(1,778)
Associates	(3,953)	(13,973)	(13,251)	13,007	(6,571)
PROFIT BEFORE TAX	36,881	41,652	39,369	39,863	13,257
Tax	(4,483)	(10,808)	(13,138)	(18,731)	(9,934)
PROFIT BEFORE MINORITY INTERESTS	32,398	30,844	26,231	21,132	3,323
Minority interests	(1,402)	(4,113)	(5,620)	(5,211)	(4,866)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	30,996	26,731	20,611	15,921	(1,543)
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,370,187	1,172,956	1,274,844	1,349,783	1,217,330
TOTAL LIABILITIES	(612,346)	(425,449)	(536,760)	(593,361)	(531,337)
MINORITY INTERESTS	(28,562)	(28,295)	(42,838)	(35,438)	(32,547)
NET ASSETS	729,279	719,212	695,246	720,984	653,446

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 16, respectively, to the financial statements. Further details of the Group's investment properties are set out on page 92.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements.

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 31 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for distribution, calculated in accordance with the provision of The Companies Act 1981 of Bermuda, amounted to HK\$82,669,000. In addition, the Company's share premium account, in the amount of HK\$464,592,000, may be distributed in the form of fully paid bonus shares.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Details of the Group's contingent liabilities and pledge of assets are set out in notes 34 and 37, respectively, to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$28,000 (2001: HK\$494,000).

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Ma Kai Cheung
Ma Kai Yum
Ng Yan Kwong

Non-executive directors:

Lau Wong Fat*
Yip Hing Chung
Lo Ming Chi, Charles*

* Independent non-executive directors

In accordance with clause 99 of the Company's Bye-laws, Lo Ming Chi, Charles will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES

Executive Directors

MA Kai Cheung, 60, is the Chairman and founder of the Group and Chairman of Carrianna Holdings Limited. He is a committee member of the Chinese People's Political Consultative Conference, a standing committee member of the Political Consultative Conference of Guangdong Province. He is the chairman of Shenzhen Overseas Chinese International Association, a Vice-President of the Foreign Investment Association in Shenzhen, Vice-President of Shenzhen General Chamber of Commerce and also a consultant of the Advisory Mission for Economic and Social Development of the People's Government of Yunnan Province. Mr Ma also serves as President of the Hong Kong & Kowloon Chiu Chow Public Association and Vice-Chairman of Chiu Chow Chamber of Commerce Limited. Mr Ma has more than 30 years' experience in the garment distribution and manufacturing business, over 17 years' experience in the restaurant business, and about 12 years' experience in property investment and development. He is responsible for the strategic planning and business development of the Group.

MA Kai Yum, 51, is Managing Director of the Group. He has been a Director of the Group for over 18 years since 1984 and has over 27 years' experience in the garment business. Mr Ma is responsible for the daily operations and administration and, together with Mr Ma Kai Cheung, for the strategic planning of the Group. Mr Ma also serves as a Director of the Chinese Manufacturers Association of Hong Kong and the Federation of Hong Kong Garment Manufacturers and is a member of Clothing Industry Training Authority. Mr Ma is a brother of Mr Ma Kai Cheung.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES (continued)

NG Yan Kwong, 41, is Executive Director, Chief Financial Officer and Company Secretary of the Group. He holds a Bachelor's degree in Commerce of the University of Newcastle in Australia and is a member of the Hong Kong Society of Accountants and the Australian Society of CPAs. Before joining the Group in July 2000, Mr Ng was the finance director of an USA beverage company operated in China. Mr Ng has more than 10 years corporate and financial management experience with multinational consumer product companies in South East Asia and Greater China region. He also has substantial working experience in public accountancy practice with a major international accounting firm.

Non-executive Directors

Hon. LAU Wong Fat, GBS, JP, 65, is a member of the Legislative Council, Chairman of the Tuen Mun District Board, Chairman of the New Territories Heung Yee Kuk and a committee member of the Chinese People's Political Consultative Conference. He joined the Group in 1991.

YIP Hing Chung, MBE, JP, 79, is Chairman and Managing Director of Gemmy Development Company Limited, Vice-Chairman of Carrianna Holdings Limited and a director of a number of listed companies in Hong Kong. Mr Yip is a committee member of the Political Consultative Conference of Guangdong Province. He also serves as a President of the Hong Kong & Kowloon Chiu Chow Public Association, Honorary Permanent President of the Hong Kong Chiu Chow Chamber of Commerce Limited, Vice-President of the Chinese Manufacturers Association of Hong Kong and a member of the executive committee of the New Territories Heung Yee Kuk. Mr Yip is also a member of the First Nominating Committee of the Special Administrative Region of Hong Kong, a committee member of the National Industrial and Commercial Association (Guangdong Province) and an Advisory Committee Member of The Special Economic Zone of Shantou. He joined the Group in 1994.

LO Ming Chi, Charles, JP, 52, is a member of the Australian Society of CPAs and a member of the Securities Institute of Australia. He serves as a director on a number of listed companies in Hong Kong. He has over 21 years of professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He joined the Group in 1991.

Senior Management

MA Nelson, 41, is Managing Director of Poltex Garments (Pty) Limited in Lesotho, as well as Amica Fashion Company (Pty) Limited in South Africa. He is in charge of the Group's sales and production operations in South Africa and Lesotho. He has been serving the Group for more than 21 years after joining in 1980. He has over 19 years' experience in garment manufacturing and marketing.

MA Hung Ming, John, 35, is Managing Director of Carrianna Holdings Limited, the Group's restaurant and property development operations. He graduated from the University of New York, with a Bachelor's degree in Business Management. He has extensive experience in the catering industry, as well as property management and development. He joined the Group in 1990. He is the son of Mr. Ma Kai Cheung.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES (continued)

NGAI Chi Yin Danny, 38, is Executive Director of Garment Division of the Group. He is responsible for strategic planning for garment business. He is in charge of the Sales and Merchandising operations. He has been serving the Group for more than 13 years since 1989 and has over 19 years experience in the garment business. He resigned as Director of Garment Division in July 2002.

YUEN Wai Man, 45, is General Manager of the Group's Carrianna restaurants in the PRC. He has been serving the Group for 12 years since 1991. He has over 26 years' experience in restaurant operations and the catering industry.

WONG Michael, 46, is President of International Fashions Group Inc., the Group's subsidiary in Canada. He is in charge of the administration, merchandising and sale of garments in Canada. Mr. Wong has been serving the Group for 9 years since he joined in 1993. He has over 24 years of garment manufacturing and merchandising experience.

DIRECTORS' SERVICE CONTRACTS

Ma Kai Cheung and Ng Yan Kwong have service contracts with the Company. The contracts have no fixed terms of engagement and are subject to termination by either party giving three months' notice in writing.

Ma Kai Yum had no service contract with the Company at the balance sheet date.

There were no specific terms of reappointment in respect of the non-executive directors.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' interests in the securities of the Company and its associated corporation" and "Share option scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, 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 THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

At 31 March 2002, the interests of the directors and their associates in the equity securities of the Company and its associated corporation, as recorded in the register required to be maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

The Company

(a) Interests in shares

Name of director	Number of shares held and nature of interest			Total
	Personal interests	Family interests	Other interests	
Ma Kai Cheung	29,510,000	8,100,000 (note 1)	259,129,025 (note 2)	296,739,025
Ma Kai Yum	–	2,700,000	101,201,040 (notes 3 & 4)	103,901,040
Lo Ming Chi, Charles	30,000	–	–	30,000

(b) Interests in share options

Name of director	Number of options held as at 1 April 2001 (Note 7)	Number of options exercised during the year	Number of options outstanding as at 31 March 2002
Ma Kai Cheung (Note 5)	2,700,000	2,700,000	–
Ma Kai Yum (Note 6)	2,700,000	2,700,000	–
Ng Yan Kwong	6,000,000	–	6,000,000
	11,400,000	5,400,000	6,000,000

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (continued)

Notes:

- (1) The shares were owned by Cheung Lin Kiu, the spouse of Ma Kai Cheung.
- (2) Ma Kai Cheung and his family are the objects of a discretionary trust which effectively owns the entire issued share capital of Regent World Investments Limited ("Regent World") and 70% of the entire issued share capital of Bond Well Investments Limited ("Bond Well"). At the balance sheet date, Regent World owned 184,121,625 shares and Bond Well owned 75,007,400 shares of the Company.
- (3) Ma Kai Yum and his family are the objects of a discretionary trust which effectively owns the entire issued share capital of Grand Wealth Investments Limited ("Grand Wealth") and Peaceful World Limited ("Peaceful World"). At the balance sheet date, Grand Wealth owned 74,651,040 shares and Peaceful World owned 19,050,000 shares of the Company.
- (4) Peaceful World owns the entire issued share capital of Real Potential Limited ("Real Potential"). At the balance sheet date, Real Potential owned 7,500,000 shares of the Company. The interests of Real Potential in the Company are therefore deemed to be the interests of Peaceful World in which Ma Kai Yum is also deemed to have interests for the reason as stated in note 3 above.
- (5) The share options were granted to Cheung Lin Kiu, the spouse of Mr. Ma Kai Cheung.
- (6) The share options were granted to Kwok Kit Mei, the spouse of Mr. Ma Kai Yum.
- (7) All the share options were granted on 29 January 2001. The share options were exercisable at any time before the expiry date on 28 January 2004 at a price of HK\$0.16 per share.

Subsidiaries

Interests in shares

Name of subsidiaries	Name of directors	Number of shares held	Type of shares	Nature of shares held
Amica Development Limited	Ma Kai Yum	10,000	Ordinary	Personal
Carrianna Chiu Chow Restaurant (T.S.T.) Limited	Ma Kai Yum	15,000	Ordinary	Other
Carrianna Chiu Chow Restaurant (T.S.T.) Limited	Yip Hing Chung	100,000	Ordinary	Personal
Ginza Development Company Limited	Ma Kai Cheung	15	Ordinary	Personal

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (continued)

Name of subsidiaries	Name of directors	Number of shares held	Type of shares	Nature of shares held
Ginza Development Company Limited	Ma Kai Yum	18	Ordinary	Other
Ginza Development Company Limited	Yip Hing Chung	30	Ordinary	Personal
Gartrend Development Limited	Ma Kai Cheung	500,000	Non-voting deferred	Personal
Gartrend Development Limited	Ma Kai Yum	500,000	Non-voting deferred	Personal
Tak Sing Alliance Limited	Ma Kai Cheung	9,000	Non-voting deferred	Personal
Tak Sing Alliance Limited	Ma Kai Yum	1,000	Non-voting deferred	Personal

In addition to the above, Ma Kai Cheung and Ma Kai Yum have non-beneficial personal equity interests in certain associated corporation held for the benefit of the Group solely for the purpose of complying with their minimum company membership requirements.

Associated corporation

Interests in shares

Name of associated corporation	Name of directors	Number of ordinary shares held / nature of interest
Carrianna (Thailand) Company Limited	Ma Kai Cheung	86,400/Corporate
Carrianna (Thailand) Company Limited	Ma Kai Yum	54,000/Corporate

Save as disclosed above, none of the directors, chief executives or their associates had, at the balance sheet date, any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

Share options are granted to directors, executives and employees of the Company and any subsidiaries under the Employee Share Option Scheme (“Scheme”) adopted and approved by shareholders on 25 September 1991. A summary of the terms set out in the Scheme is as follows:

1. Purpose

The purpose of the Scheme is to motivate or reward employees or executives for their contribution or potential contribution to the Group.

2. Eligible persons

Any director, executive and employee of the Company or any of its subsidiaries are eligible persons to participate in the Scheme.

3. Maximum number of shares issuable under the Scheme

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued ordinary shares of the Company at the time of granting of the option (excluding for this purpose any shares issued upon exercise of the options under the Scheme). The total number of shares to be issued pursuant to the share options outstanding under the Scheme is 6,000,000, which represented approximately 0.82% of the issued share capital as at the date of the annual report.

4. Maximum Entitlement of each eligible person

No option shall be granted to an eligible person which, if exercised in full, would result in such person’s maximum entitlement exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

5. Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during a period commencing on the date of grant of an option and expiring on the business day preceding the third anniversary of the date of grant.

6. Acceptance of Offer

Offer to option is open for acceptance in writing received by the Company for a period of 14 days inclusive of and from the day of making such offer provided that no such offer is accepted after expiry of the Scheme period. No considerations is payable by the grantee upon the acceptance offer.

SHARE OPTION SCHEME (continued)**7. Basis of determining the option exercise price**

The option price per share payable on the exercise of an option is to be determined by the directors but in any event shall be equal to the higher of:-

- (i) the nominal value of the shares; and
- (ii) 80% of the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer.

8. The remaining life of the Scheme

The life of the Scheme commenced from 25 September 1991, date of adoption and ended on 24 September 2001.

Details of the share options exercised and outstanding as at 31 March 2002 are as follows:

Eligible Persons	Number of share options held at 1 April 2001	Number of share options exercised during the year	Number of share options held at 31 March 2002	Exercise price	Date of grant	Exercise Period	
		(Note 1 & 2)		HK\$		From	To
Cheung Lin Kiu (Note 3)	2,700,000	2,700,000	-	0.16	29-Jan-01	29-Jan-01	28-Jan-04
Kwok Kit Mei (Note 4)	2,700,000	2,700,000	-	0.16	29-Jan-01	29-Jan-01	28-Jan-04
Ng Yan Kwong	6,000,000	-	6,000,000	0.16	29-Jan-01	29-Jan-01	28-Jan-04
Other continuous contract employees	1,000,000	1,000,000	-	0.16	29-Jan-01	29-Jan-01	28-Jan-04
	<u>12,400,000</u>	<u>6,400,000</u>	<u>6,000,000</u>				

SHARE OPTION SCHEME (continued)

Notes:

1. No options were granted, cancelled or lapsed for the financial year ended 31 March 2002.
2. The weighted average closing price of the share immediately before the date on which the options were exercised was HK\$0.19.
3. Madam Cheung Lin Kiu is the spouse of Mr. Ma Kai Cheung, a director of the Company.
4. Madam Kwok Kit Mei is the spouse of Mr. Ma Kai Yum, a director of the Company.

The Directors believe that it is inappropriate to disclose the value of the options granted as some critical factors for the valuation cannot be determined accurately. On this basis, the directors consider that any valuation of the options based on various speculative assumptions would not be meaningful but would potentially be misleading to the shareholders.

DIRECTORS' INTERESTS IN CONTRACTS

Save as detailed in note 38 to the financial statements, no director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

During the year, the following transactions of the Group had constituted connected transactions under the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

I. JOINT VENTURE AGREEMENT WITH LUENDAN ENTERPRISES COMPANY LIMITED

Pursuant to a joint venture agreement dated 22 September 1997, which was entered into between Carrianna (Shenzhen) Investments Co., Ltd. ("Carrianna (Shenzhen)"), a wholly-owned subsidiary of the Company, and Luendan Enterprises Company Limited ("Luendan"), in which Mr. Yip Hing Chung, a non-executive director of the Company, and his family own 80% of the equity interest, for the redevelopment of a building (now known as "Imperial Palace") in Shenzhen ("Redevelopment Project"), Luendan shares 20% of the rights and profits of the Redevelopment Project. Further details of the arrangement were set out in the press announcement on 23 September 1997. The Stock Exchange of Hong Kong Limited, on application by the Company, granted a waiver of strict compliance with the requirements of the Listing Rules in relation to this connected transaction subject to certain disclosure requirements.

In the opinion of the directors of the Company, this transaction had been conducted on normal commercial terms. The independent non-executive directors have confirmed that such transaction was entered into on normal commercial terms in the ordinary course of business of the Group and in accordance with the agreement governing this transaction.

CONNECTED TRANSACTIONS (continued)**II. CONSULTANCY AGREEMENT WITH MARAN, INC.**

Pursuant to a consultancy agreement dated 19 December 2000, which was entered into between Perfectus Limited ("Perfectus"), a wholly-owned subsidiary of the Company, and Maran Inc., a previous non-wholly owned subsidiary of the Company, Maran, Inc. agreed to appoint Perfectus as its consultant for providing general advice and assistance in respect of the sourcing and procurement of supplies of wearing apparel and products in Asia for a fixed term of two years. Maran, Inc. was disposed on 19 December 2000. Further details of the arrangement were set out in a circular dated 10 January 2001 to the shareholders of the Company.

The Stock Exchange of Hong Kong Limited, on application by the Company, granted waivers of strict compliance with the requirements of the Listing Rules in relation to the above connected transaction subject to certain disclosure requirements. This transaction has been reviewed by the directors of the Company (including the independent non-executive directors), and the independent non-executive directors have confirmed that they consider that the above transaction was conducted on a fair and reasonable basis so far as the interests of the shareholders are concerned and are in the best interest of the Group.

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:

Name	Notes	Number of shares held	%
Regent World Investments Limited	(a)	184,121,625	25.13
Bond Well Investments Limited	(a)	75,007,400	10.24
Grand Wealth Investments Limited	(b)	74,651,040	10.19

Notes:

- (a) The interests of Regent World Investments Limited and Bond Well Investments Limited are duplicated in the disclosure of Ma Kai Cheung's interests in the Company's share capital under the section headed "Directors' interests in the securities of the Company and its Associated Corporations" set out above.
- (b) The interests of Grand Wealth Investments Limited are duplicated in the disclosure of Ma Kai Yum's interests in the Company's share capital under the section headed "Directors' interests in the securities of the Company and its Associated Corporations" set out above.

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at 31 March 2002, were directly or indirectly beneficially interested in 10% or more of the issued share capital of the Company.

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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended
31 March 2002

Customers

Percentage of turnover attributable to the Group's five largest customers	33.35%
Percentage of turnover attributable to the Group's largest customer	14.11%

Suppliers

Percentage of purchases attributable to the Group's five largest suppliers	37.51%
Percentage of purchases attributable to the Group's largest supplier	15.00%

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

EMPLOYEES AND REMUNERATION POLICY

The Group's staff consists of approximately 250 employees in Hong Kong and approximately 4,000 employees outside Hong Kong. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee meets regularly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations. The audit committee comprises two independent non-executive directors of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2002, the Group had outstanding bank and other borrowings of approximately HK\$355,647,000, cash and bank balances amounting to approximately HK\$67,075,000. Netting off pledged time deposits of HK\$30,352,000, the Group's net borrowings and available cash and bank balances were HK\$325,295,000 and HK\$67,075,000 respectively. Taking into account the availability of banking facilities, the directors believe that the Group has adequate cash resources to meet its commitments and working capital requirements.

Particular of the Group's interest-bearing bank and other borrowings are set out in notes 28 and 29 to the financial statements.

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

Ma Kai Yum
Managing Director

Hong Kong, 22 July 2002