

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended March 31, 2002.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 27 to the financial statements.

The turnover and contribution to the Group's profit before minority interests derived from each principal activity are set out in note 5 to the financial statements.

## **RESULTS AND DIVIDEND**

The results of the Group are set out in the consolidated income statement on page 18 of the annual report.

The directors recommend the payment of a dividend of HK\$0.01 per share to the shareholders whose names appear on the Register of Members of the Company on August 30, 2002.

## **FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 50 of the annual report.

## **SHARE CAPITAL**

Details of movements during the year in the share capital of the Company are set out in note 18 to the financial statements.

## **RESERVES**

Details of movements during the year in the reserves of the Group and the Company are set out in note 19 to the financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, property, plant and equipment amounting to approximately HK\$2 million were acquired by the Group for the expansion of operations. Details of movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

# Directors'

## REPORT (continued)

Annual Report 20 02

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

#### **Executive directors:**

Ling Tai Yuk, John  
Kong Ho Pak  
Pang Hon Chung  
Zee Shang Yung, Johnny

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

Ng Tze Kin, David  
Wu Wing Kit

In accordance with the Bye-laws of the Company, Mr. Pang Hon Chung shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The term of office of each director, including the non-executive directors, is for the period up to his retirement by rotation in accordance with the Bye-laws of the Company.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At March 31, 2002, the interest of the directors, chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register maintained pursuant to Section 29 of Hong Kong 's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

### 1. The Company

Name of director	Number of shares	
	Personal interests	Corporate interests
Ling Tai Yuk, John	26,563,336	44,705,322 (Note)
Kong Ho Pak	30,200	—
Pang Hon Chung	1,123,000	—
Ng Tze Kin, David	507,000	—

*Note: These shares are held by Accura Overseas Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Ling Tai Yuk, John.*

### 2. Subsidiary

At March 31, 2002, Messrs. Ling Tai Yuk, John and Kong Ho Pak were beneficially interested in 1,550,010 and 664,290 deferred non-voting shares respectively in Koniko Company Limited ("Koniko"), a company incorporated in Hong Kong, which is an indirect wholly owned subsidiary of the Company.

The deferred non-voting shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on winding up.

At March 31, 2002, save as disclosed above, none of the directors, chief executives or their associates had any interest in the shares or any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company's share option schemes ("Schemes") was adopted on October 11, 1999 pursuant to a resolution passed by the Company's shareholders on August 16, 1999 for the primary purposes of providing incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") and will expire on October 10, 2004. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK\$1.00 per option to the Eligible Employees to subscribe for shares in the Company.

The maximum number of shares issued or which may be issuable under the Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme from time to time. The number of shares in respect of which options granted and may be granted to any Eligible Employee is not permitted to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 30 days from the date of the offer together with the payment of nominal consideration of HK\$1 in total by the grantee.

An option may be exercised at any time during a period not exceeding five years commencing after the date the option is accepted. The expiry of the option may be determined by the Board of Directors of the Company which shall not later than the last day of such period.

The exercise price is determined by the Directors of the Company, and will not be less than the greater of: (i) 80% of the average of the official closing price of the Company's shares for the 5 trading days immediately preceding the offer of the options; and (ii) the nominal value per share of the Company.

No option was granted under the Scheme during the year, nor was there any option outstanding at March 31, 2001 and March 31, 2002.

Save as disclosed herein:

1. None of the directors or the chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year; and
2. 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.

### SUBSTANTIAL SHAREHOLDERS

At March 31, 2002, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following parties had notified the Company that they were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares
Ling Tai Yuk, John	71,268,658 (Note)
Accura Overseas Limited ("Accura")	44,705,322

*Note: By virtue of his interest in Accura, Mr. Ling Tai Yuk, John was deemed to be interested in the 44,705,322 shares held by Accura.*

Save as disclosed above, the directors are not aware of any person who, at March 31, 2002, was interested in 10% or more of the issued share capital of the Company.

### DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

During the year, the Group paid rental charges amounting to approximately HK\$661,000 to Crown Regent Enterprise Limited, a company in which Mr. Ling Tai Yuk, John, a director of the Company, has a beneficial interest.

Save as disclosed above, no 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, subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTEREST IN COMPETING BUSINESSES

In accordance with rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. Ling Tai Yuk, John, a director of the Company, is deemed to have an interest in a business that may compete with the subsidiaries of the Company in the garment industry, as mentioned below:

1. He is a director and a substantial shareholder of Casual Center Garment Industries Limited ("Casual Center"), which is engaged in the manufacture and trading of garments;
2. He is a director of Pace Fashion Industries Limited ("Pace Fashion") which has as its principal activities the rental of properties to companies engaged in the manufacture of garments, the trading of garments and the design and sale of sample garment products; and
3. He is the sole proprietor of Progressive Industries ("Progressive") which is engaged in the trade of fabric and garments.

## DIRECTORS' INTEREST IN COMPETING BUSINESSES (continued)

The Independent Audit Committee is satisfied that there are sufficient internal controls to ensure that the Group is capable of carrying on its business independently of, and at arm's length from, Casual Center, Pace Fashion and Progressive.

Save as disclosed above, the directors hold no further interest in any businesses that compete or are likely to compete, either directly or indirectly with the business of the Group.

## CONNECTED TRANSACTION

During the year, the Company paid consultancy fee of HK\$220,000 to Yin Ping Nominees Limited in which Mr. Pang Hon Chung's spouse and brother have controlling and beneficial interests.

## CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or similar rights during the year or as at March 31, 2002.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 188,310,000 ordinary shares of HK\$0.02 each of the Company on the Stock Exchange with details as follows:

Trading month	Number of ordinary shares purchased	Price per share		Total cost including related expenses HK\$'000
		Highest HK\$	Lowest HK\$	
July 2001	111,850,000	0.014	0.010	1,365
August 2001	76,460,000	0.014	0.013	1,113
	<u>188,310,000</u>			<u>2,478</u>

The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the purchases would increase the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries sold or redeemed any of the Company's listing securities during the year.

# Directors'

## REPORT (continued)

Annual Report 2002

### 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.

### CODE OF BEST PRACTICE

The Company has complied throughout the year ended March 31, 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.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended March 31, 2002:

1. The Group's largest customer and five largest customers accounted for approximately 81% (2001: 47%) and 100% (2001: 85%) respectively of the Group's total turnover for the year.
2. The Group's largest supplier and five largest suppliers accounted for approximately 22% (2001: 44%) and 63% (2001: 71%) respectively of the Group's total purchases for the year.

According to the understanding of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers.

### AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint them.

On behalf of the Board  
**Ling Tai Yuk, John**  
*Director*

Hong Kong, July 3, 2002