

# 董事會報告書

## Report of the Directors

On behalf of the Board of Directors, I have pleasure in presenting this report together with the audited accounts of Tristate Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 16 to the accounts.

An analysis of the Group's turnover and contribution to profit from operations by principal activities and markets is as follows:

	Turnover		Operating profit	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
By principal activities:				
Garment manufacturing	<b>1,717,159</b>	1,648,911	<b>56,654</b>	73,434
Trading and retailing	<b>631,463</b>	679,876	<b>15,934</b>	27,173
	<b>2,348,622</b>	2,328,787	<b>72,588</b>	100,607
By principal markets:				
The United States	<b>1,580,366</b>	1,558,414		
Asia	<b>375,087</b>	401,782		
Europe	<b>393,169</b>	368,591		
	<b>2,348,622</b>	2,328,787		

### MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 34% (2001: 36%) of the total sales. The top five suppliers accounted for approximately 29% (2001: 29%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 10% (2001: 8%) of the total sales and the Group's largest supplier accounted for approximately 20% (2001: 21%) of the total purchases for the year.

Hua Thai Manufacturing Public Company Limited, an associated company of the Group, and its subsidiaries (collectively known as "Hua Thai") is one of the five largest suppliers of the Group referred to above. Details of transactions between the Group and Hua Thai are set out in Note 31 to the accounts. A number of family members and relatives of Mr. Wang Kin Chung, Peter, the Chairman and Chief Executive Officer of the Company, have beneficial interests in Hua Thai. In the opinion of the directors, such transactions were carried out on terms no more favourable than terms available to independent third parties.

Save as aforementioned, none of directors, their associates, or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's share capital, have, at any time during the year, a beneficial interest in any one of the Group's top five customers and/or suppliers.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December 2002 are set out in the consolidated profit and loss account on Page 60 of the accounts.

No interim dividend was declared for the year ended 31st December 2002 (2001: HK\$0.04 per share, HK\$10,749,000). On 31st March 2003, the directors recommend the payment of a final dividend of HK\$0.10 per share (2001: HK\$0.10 per share), totalling HK\$26,874,000 (2001: HK\$26,874,000).

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in Note 28 to the accounts.

## **SHARE CAPITAL**

Details of the movements in share capital of the Company are set out in Note 26 to the accounts.

## **DISTRIBUTABLE RESERVES**

As at 31st December 2002, the Company's reserves of HK\$431,020,000 (2001: HK\$431,020,000) and retained profits of HK\$92,277,000 (2001: HK\$42,153,000) were available for distribution to its shareholders.

## **SHARE OPTIONS**

Details of the movements in share options of the Company are set out in Note 27 to the accounts.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries as at 31st December 2002 are set out in Note 16 to the accounts.

## **ASSOCIATED COMPANIES**

Particulars of the Group's associated companies as at 31st December 2002 are set out in Note 17 to the accounts.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group are set out in Note 13 to the accounts.

## **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the consolidated results of the Group and its consolidated balance sheets for each of the five financial years ended 31st December 2002 are set out on Pages 41 and 42 of the annual report.

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### DIRECTORS

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

**Executive directors:**

Mr. Wang Kin Chung, Peter (*Chairman*)

Mr. Wu Ching Her

Mr. Chen Nam Zhang (Retired on 27th May 2002)

Mr. Lo Chak Wa

**Non-executive directors:**

Ms. Wang Koo Yik Chun (*Honorary Chairlady*)

Mr. Tang Chi Chien, Jack (*Honorary Co-chairman*) (Retired on 27th May 2002)

Mrs. Leslie Tang Schilling

Ms. Mak Wang Wing Yee, Winnie

Mr. Wang Shui Chung, Patrick

Mr. Tang Liu Chien, Oscar (Appointed on 9th April 2002)

Mr. Tang Yue Nien, Martin (Appointed on 9th April 2002)

**Independent non-executive directors:**

Mr. Yuan Ching Man, James

Mr. Lo Kai Yiu, Anthony

Mr. James Christopher Kralik (Appointed on 9th April 2002)

With effect from 9th April 2002, Mr. Tang Liu Chien, Oscar, Mr. Tang Yue Nien, Martin were appointed as non-executive directors of the Company and Mr. James Christopher Kralik was appointed as an independent non-executive director of the Company.

With effect from 27th May 2002, Ms. Wang Koo Yik Chun, previously the Company's Honorary Co-Chairlady, was redesignated as Honorary Chairlady. Ms. Koo continued to act as a non-executive director of the Company.

In accordance with Bye-Laws 85 and 86 of the Company, Mr. Wang Shui Chung, Patrick, Mrs. Leslie Tang Schilling and Mr. Lo Kai Yiu, Anthony retire and, being eligible, offer themselves for re-election.

None of the directors has a contract which is not terminable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

## **DIRECTORS' SERVICE CONTRACTS**

No director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 31st December 2002, the interests of the directors and chief executives of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were shown below. Details of the interests of the directors and chief executives of the Company in respect of share options granted under the Company's share option scheme are set out in the "Share Option Scheme" section below.

<b>Name</b>	<b>Type of interest</b>	<b>Number of ordinary shares</b>
Wang Kin Chung, Peter	Corporate interests <i>(Note 1)</i>	138,260,000
	Other interests <i>(Note 12)</i>	12,069,445
Wu Ching Her	Personal interests	2,636,289
Wang Koo Yik Chun	Other interests <i>(Note 2)</i>	1,537,000
Tang Yue Nien, Martin	Personal & other interests <i>(Notes 3, 4, 9 and 10)</i>	52,338,047
Leslie Tang Schilling	Family interests <i>(Notes 5 and 9)</i>	4,312,193

Save as disclosed herein, as at 31st December 2002, none of the directors or chief executives of the Company, including their respective spouses, infant children, related trusts and companies which they control, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined under Section 29 of the SDI Ordinance or as notified to the Company and the SEHK pursuant to the Model Code.

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### SUBSTANTIAL SHAREHOLDERS

As at 31st December 2002, the register of substantial shareholders maintained under Section 16 (1) of the SDI Ordinance showed that, the following persons (other than a director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the Company's issued share capital. Details of the interests of the substantial shareholders of the Company in respect of share options granted under the Company's share option scheme are set out in the "Share Option Scheme" section below.

Name	Number of ordinary shares
Silver Tree Holdings Inc. (Note 1)	138,260,000
Tang Chi Chien, Jack (Personal interest) (Notes 6, 7 and 10)	12,069,445
Tang Chi Chien, Jack (Deemed interest) (Note 11)	138,260,000
Bermuda Trust (New Zealand) Limited (Notes 3, 4, 5, 6, 7 and 8)	75,648,500

Notes:

- 138,260,000 shares are beneficially owned by Silver Tree Holdings Inc., a company wholly-owned by Mr. Wang Kin Chung, Peter.
- 1,379,000 shares are held by Euroworld Trustee Holdings Corporation as trustee of a unit trust, units of which are held by a trust, the discretionary objects of which include Ms. Wang Koo Yik Chun. Another 158,000 shares are held by Main World Investment Limited, the entire issued share capital of which is beneficially owned by the same unit trust.
- Bermuda Trust (New Zealand) Limited holds 38,371,533 shares as trustee of a trust of which Mr. Tang Yue Nien, Martin is a discretionary beneficiary.
- Bermuda Trust (New Zealand) Limited holds 13,966,514 shares as co-trustee with Mr. Tang Yue Nien, Martin of various trusts of which Mr. Tang Yue Nien, Martin is a discretionary beneficiary.
- Bermuda Trust (New Zealand) Limited holds 4,312,193 shares as co-trustee of a trust of which Mrs. Leslie Tang Schilling's children are discretionary beneficiaries.
- Bermuda Trust (New Zealand) Limited holds 4,299,492 shares as co-trustee of a trust of which Mr. Tang Chi Chien, Jack's wife is a discretionary beneficiary.
- Bermuda Trust (New Zealand) Limited holds 7,769,953 shares as co-trustee with Mr. Tang Chi Chien, Jack of a trust of which Mr. Tang Chi Chien, Jack is a discretionary beneficiary.
- Bermuda Trust (New Zealand) Limited holds 75,648,500 shares as trustees for various trusts and all the shares are registered in the name of its nominee company, Somers Nominees (Far East) Limited.
- 4,312,193 shares held by Mr. Tang Yue Nien, Martin overlap that of family interests of Mrs. Leslie Tang Schilling.
- 4,299,492 shares held by Mr. Tang Yue Nien, Martin overlap that of family interests of Mr. Tang Chi Chien, Jack.

11. By virtue of Sections 9 and 10 of the SDI Ordinance, Mr. Tang Chi Chien, Jack is taken to be interested in the interest of Mr. Wang Kin Chung, Peter in the equity securities of the Company, namely 138,260,000 shares which are held by Silver Tree Holdings Inc., a company wholly-owned by Mr. Wang Kin Chung, Peter (see Note 1).
12. By virtue of Sections 9 and 10 of the SDI Ordinance, Mr. Wang Kin Chung, Peter is taken to be interested in the interest of Mr. Tang Chi Chien, Jack, in the equity securities of the Company, namely the family interests of 4,299,492 shares (see Notes 6 and 10) and the personal and other interests of 7,769,953 shares (see Note 7).

## SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 28th November 1997, pursuant to which options may be granted to full-time employees (including executive directors) of the Company or its subsidiaries to subscribe for ordinary shares in the Company. As at 31st December 2002, the particulars in relation to the share option scheme of the Company, as required under Rules 17.07 and 17.09 of Chapter 17 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") were as follows:

- (a) Summary of movements of share options:

Type of grants	Date of grant	Exercise period	Exercise price per share	Number of share options			
				Balance as at 1st January 2002	Exercised during the year	Lapsed during the year	Balance as at 31st December 2002
<i>HK\$</i>							
<b>Executive Directors</b>							
Wang Kin Chung, Peter*	9th November 1999	9th November 2000 to 8th November 2002	1.39	6,500,000	-	6,500,000	-
Lo Chak Wa	9th November 1999	9th November 2000 to 8th November 2002	1.39	600,000	-	600,000	-
Chen Nam Zhang#	9th November 1999	9th November 2000 to 8th November 2002	1.39	600,000 <sup>#</sup>	-	-	-

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Type of grants	Date of grant	Exercise period	Exercise price per share	Number of share options			
				Balance as at 1st January 2002	Exercised during the year	Lapsed during the year	Balance as at 31st December 2002
HK\$							
<b>Substantial Shareholder</b>							
Tang Chi Chien, Jack*	9th November 1999	9th November 2000 to 8th November 2002	1.39	6,500,000	-	6,500,000	-
<b>Employees</b>	9th November 1999	9th November 2000 to 8th November 2002	1.39	3,960,000	-	3,960,000	-
	22nd May 2000	22nd May 2001 to 21st May 2003	1.20	1,000,000	-	600,000 <sup>#</sup>	-
					-	-	1,000,000

\* Mr. Tang Chi Chien, Jack has not been granted any share options. However, by virtue of Sections 9 and 10 of the SDI Ordinance, Mr. Tang Chi Chien, Jack is taken to be interested in the interest of Mr. Wang Kin Chung, Peter for the 6,500,000 share options granted to and exercisable by him. The said 6,500,000 shares options lapsed on 9th November 2002.

# Mr. Chen Nam Zhang retired as an Executive Director of the Company with effect from 27th May 2002 and remains as an employee of the Group. As a result, 600,000 share options granted to Mr. Chen Nam Zhang on 9th November 1999 have been reclassified from "share options granted to Executive Directors" to "share options granted to Employees". The said 600,000 share options lapsed on 9th November 2002.

During the year, 11,660,000 share options granted lapsed because the option period expired.

Save as disclosed above, no share options were exercised, cancelled or lapsed during the year.

No share options were granted during the year and accordingly, a valuation of share options granted was not necessary.

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 debentures of, the Company or any other body corporate and none of the directors, their spouses or their 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.

(b) Summary of details of the share option scheme of the Company:

Participants	:	Full-time employees (including executive directors) of the Company or any of its subsidiaries
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of annual report	:	19,994,025 ordinary shares (7.4% of the issued share capital)
Maximum entitlement of each participant	:	Shall not exceed 25% of the aggregate number of ordinary shares issued and issuable under the share option scheme
Period within which the securities must be taken up under an option	:	No option will be exercisable later than 3 years after its date of grant
Minimum period for which an option must be held before it can be exercised	:	Not applicable
Amount payable on acceptance of the option	:	HK\$1.00
Period within which payments/calls/loans must be made/repaid	:	Not applicable
Basis of determining the exercise price	:	Determined by the Board of Directors and will not be less than 80% of the average closing price of the Company's ordinary shares as stated in the daily quotation sheets issued by the SEHK for the five business days immediately preceding the date of offer or the nominal value of the shares, whichever is higher
The remaining life of the share option scheme	:	The share option scheme remains in force until 27th November 2007



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### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors or members of its management had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

Ms. Wang Koo Yik Chun and Mr. Wang Kin Chung, Peter are directors of Hua Thai Manufacturing Public Company Limited and certain of its subsidiaries. Hua Thai Manufacturing Public Company Limited is a 36.4% held associated company of the Group and, together with its subsidiaries, are engaged in garment manufacturing and trading businesses. The shares of Hua Thai Manufacturing Public Company Limited are listed on the Stock Exchange of Thailand.

Mr. Wang Kin Chung, Peter is a director of Triskele Company Limited. Triskele Company Limited is a 20% held associated company of the Group and is engaged in garment and general trading business.

By virtue of Ms. Wang Koo Yik Chun's and Mr. Wang Kin Chung, Peter's directorships in Hua Thai Manufacturing Public Company Limited and certain of its subsidiaries; and Mr. Wang Kin Chung, Peter's directorship in Triskele Company Limited, they are considered to be interested in the businesses apart from the Group's business, which compete or are likely to compete, directly or indirectly, with the Group's business and are required to disclose such interests in the Company's annual report under Rule 8.10 of the Listing Rules.

### **PRE-EMPTIVE RIGHTS**

No pre-emptive rights exist under the Company's Bye-Laws and the law in Bermuda in relation to the issue of new shares by the Company.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

### **CONNECTED TRANSACTIONS**

During the year, a subsidiary of the Company was a party to a transaction which constitutes a "connected transaction" under the Listing Rules. Details of such transactions are as follows:

A subsidiary of the Company leases certain factory, office and warehouse space from TDB Company Limited. TDB Company Limited is a company with a majority of its shares being indirectly held by a

discretionary trust of which a director of the Company is an eligible beneficiary. Accordingly, TDB Company Limited is a connected person of the Company. For the year ended 31st December 2002, the rental expenses of approximately HK\$4,992,000 paid to TDB Company Limited were calculated under normal commercial terms in accordance with an executed rental agreement between the subsidiary of the Company and TDB Company Limited.

The independent non-executive directors of the Company who are not connected with TDB Company Limited have reviewed such transaction and confirmed that the transaction has been carried out under normal commercial terms, in the ordinary and usual course of business of the Group and on an arm's length basis, and is fair and reasonable insofar as the shareholders of the Company are concerned.

### **CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive Directors were not appointed for specific terms since all Directors of the Company (other than the Chairman and Honorary Chairlady) are subject to retirement by rotation in accordance with the Company's Bye-Laws.

### **AUDIT COMMITTEE**

The Company set up an Audit Committee of the Board of Directors on 1st September 1998. The current Committee members comprise two independent non-executive directors, Mr. Lo Kai Yiu, Anthony and Mr. Yuan Ching Man, James; and one non-executive director, Ms. Mak Wang Wing Yee, Winnie. The Audit Committee and senior management met twice in 2002 (one of the meetings was with the external auditors) to consider the nature and scope of audit reviews and the effectiveness of the systems of internal control and financial reporting matters (including the interim and annual Accounts before recommending them to the Board of Directors for approval).

### **AUDITORS**

Arthur Andersen & Co. acted as auditors of the Company up to and including the year ended 31st December 2001. Arthur Andersen & Co. resigned during the year and the Directors appointed PricewaterhouseCoopers to fill the casual vacancy. A resolution for the reappointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**Wang Kin Chung, Peter**

*Chairman and Chief Executive Officer*

Hong Kong, 31st March 2003