

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the period from 1 October 2001 to 31 December 2002.

CHANGE OF FINANCIAL YEAR END DATE

The Group changed its financial year end date from 30 September to 31 December with effect from 1 October 2001. The current accounting period covers a period of fifteen months from 1 October 2001 to 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the period.

RESULTS AND DIVIDENDS

The Group's loss for the period from 1 October 2001 to 31 December 2002 and the state of affairs of the Company and the Group at 31 December 2002 are set out in the financial statements on pages 21 to 76.

The first interim dividend of 1 HK cent per ordinary share was paid on 27 July 2002.

The second interim dividend of 1 HK cent per ordinary share was declared on 17 December 2002 and paid on 18 January 2003.

The directors recommend the payment of a final dividend of 1 HK cent per ordinary share in respect of the period, to shareholders on the register of members on 30 May 2003. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 13 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 77. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the period are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the period, together with the reasons therefor, are set out in notes 31 and 32 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 its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its listed securities during the period. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

RESERVES

Details of movements in the reserves of the Company and the Group during the period are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's reserves available for distribution, calculated in accordance with the provisions of The Companies Act 1981 of Bermuda (as amended), amounted to HK\$151,943,000. In addition, the Company's share premium account, in the amount of HK\$292,131,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the period, the Group made charitable contributions totalling HK\$409,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the period under review, sales to the Group's five largest customers accounted for 34% of the total sales for the period and sales to the largest customer included therein amounted to 9%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the period.

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.

DIRECTORS

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

Executive directors:

Lam Foo Wah
Ip Weng Kun
Hui Yip Wing, David
Wong Shing Loong, Raymond
So Siu Hang, Patricia
Jack Weinstock

Non-executive directors:

Poon Hon Kam	(resigned on 26 March 2002)
Woo King Wai, David	(independent director)
Chan Wah Tip, Michael	(independent director)

In accordance with the Company's bye-laws, Messrs. Hui Yip Wing, David and Wong Shing Loong, Raymond will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of the 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' INTERESTS IN CONTRACTS

Mr. Chan Wah Tip, Michael, a director of the Company, was interested in contracts for the provision of legal advisory services to the Group. Further details of the transactions undertaken in connection therewith are included in note 39 to the financial statements. Save for the foregoing, no director had a material interest 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 period.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the directors in the share capital of the Company and its subsidiaries 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:

(i) **The Company**

Name of director	Notes	Number of ordinary shares held and nature of interest		
		Personal	Family	Other
Lam Foo Wah	1,2,3	–	–	120,807,986
Ip Weng Kun	4	–	–	5,627,848
So Siu Hang, Patricia		1,508,809	–	–
Hui Yip Wing, David		–	2,652,007	–
Wong Shing Loong, Raymond		2,600,000	–	–
Jack Weinstock		1,178,600	–	–

(ii) **Subsidiary – High Fashion Knitters Limited**

Name of director	Note	Nature of interest	Number of ordinary shares held
Lam Foo Wah	5	Corporate	5,339,431

Notes:

- Mr. Lam Foo Wah is deemed to have an interest in 10,672,797 ordinary shares which are beneficially owned by Annick Investment Limited, the entire issued share capital of which is held under a related discretionary trust.
- Mr. Lam Foo Wah is deemed to have an interest in 77,963,622 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust.
- Mr. Lam Foo Wah is deemed to have an interest in 32,171,567 ordinary shares which is beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust.
- Mr. Ip Weng Kun is deemed to have an interest in 5,627,848 ordinary shares which are beneficially owned by Major Rank Holdings Limited, the entire issued share capital of which is held under a related discretionary trust.
- These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

The interests of the directors in the share options of the Company are separately disclosed in note 32 to the financial statements.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 32 to the financial statements, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director 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.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of the issued 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	Number of ordinary shares held	%
Hinton Company Limited	77,963,622	approximately 24

The interests of Hinton Company Limited has also been disclosed as the interests of Mr. Lam Foo Wah under the section "Directors' interests in shares".

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests in shares", had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

During the period, additional loan facilities in the amount of HK\$70 million were granted to Theme International Holdings Limited ("Theme") by Navigation Limited, a wholly-owned subsidiary of the Company, bringing a total loan facilities granted to Theme as at the balance sheet date to HK\$100 million. At the balance sheet date, the outstanding loan balance, amounting to HK\$64 million, was unsecured and bore interest at the Hong Kong Dollar Prime Rate. A total interest income of HK\$2,835,000 was received by Navigation Limited during the period.

Theme is a non-wholly owned subsidiary of the Company.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the fifteen months ended 31 December 2002, in compliance with Appendix 14.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice 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.

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

Lam Foo Wah
Chairman

Hong Kong
14 April 2003