

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 April 2002 to 31 December 2002.

Change of accounting year end date

On 2 December 2002, the accounting year end date of the Company was changed from 31 March to 31 December effective from the period ended 31 December 2002.

Principal activities

The principal activity of the Company is investment holding. The Company's subsidiaries are engaged in the retailing, export and production of casual wear. The principal activities of the Group have not significantly changed during the period.

Results and dividends

The Group's profit for the nine months ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 81.

An interim dividend of HK2.70 cents per share was paid on 24 December 2002. The directors recommend the payment of a final dividend of HK7.50 cents per share in respect of the period, to shareholders on the register of members on 5 June 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial period/years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 82 and 83 of the annual report. This summary does not form part of the audited financial statements.

Fixed assets and investment property

Details of movements in the fixed assets and investment property of the Group during the period are set out in notes 14 and 15 to the financial statements, respectively.

Share capital and share options

Details of the Company's share capital and the movements in the share options during the period are set out in notes 29 and 30 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the bye-laws of the Company 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 period are set out in note 31 to the financial statements and in the consolidated summary statement of changes in equity, respectively.





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Distributable reserves

As at 31 December 2002, the Company's reserves available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$881,493,000, of which HK\$75,044,000 has been proposed as a final dividend for the period. In addition, the Company's share premium account, in the amount of HK\$268,668,000 as at 31 December 2002, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the period.

Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the period.

Directors

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

Executive

Mr. Charles Yeung, J.P. (Chairman)
Mr. Yeung Chun Fan (Vice-chairman)
Mr. Yeung Chun Ho
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman
Ms. Cheung Wai Yee

Independent non-executive

Mr. Wong Man Kong, Peter, J.P.
Mr. Lau Hon Chuen, G.B.S., J.P.

In accordance with clause 110(A) of the Company's bye-laws, Mr. Yeung Chun Fan and Mr. Hui Chung Shing, Herman will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Save as disclosed in note 36 to the financial statements, 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.

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Directors' interests in securities

As at 31 December 2002, the interests of the directors in the securities of the Company or its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Number of shares held				Number of share options held
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Charles Yeung, J.P.	-	-	628,494,000 <i>note (a)</i>	-	-
Mr. Yeung Chun Fan	-	-	628,494,000 <i>note (a)</i>	-	5,940,000
Mr. Yeung Chun Ho	-	-	32,430,000 <i>note (b)</i>	-	10,000,000
Mr. Pau Sze Kee, Jackson	9,370,000	-	-	-	9,962,000
Mr. Hui Chung Shing, Herman	6,250,000	-	-	-	10,000,000
Ms. Cheung Wai Yee	6,730,000	-	-	-	9,898,000
Mr. Lau Hon Chuen, G.B.S., J.P.	956,000	-	-	-	-

Notes:

- (a) 394,954,000 shares were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Mr. Charles Yeung, J.P. and as to 48.066% by Mr. Yeung Chun Fan) and 233,540,000 shares were held by Advantetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Mr. Charles Yeung, J.P. and as to 48.066% by Mr. Yeung Chun Fan), which together represented approximately an aggregate of 62.813% of the total number of issued shares of the Company.
- (b) 32,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho, which represented approximately 3.241% of the total number of issued shares of the Company.

Save as disclosed above, none of the directors, or their respective spouse or children under 18 years of age of any such director had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.





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Directors' rights to acquire shares or debentures

Apart from as disclosed under the headings "Directors' interests in securities" above and in the share option scheme disclosure in note 30 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 Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share option scheme

Due to the adoption of Statement of Standard Accounting Practice 34 "Employee benefits" during the period, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 30 to the financial statements.

Directors' and senior management's biographies

Executive Directors

Mr. YEUNG Chun Kam, J.P., alias Charles YEUNG, aged 56, is the founder and Chairman of the Group. He is responsible for the Group's business strategies and corporate policies. Mr. Yeung has over 30 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. He is an advisory professor of the East China University and the Tianjin Polytechnic University and a visiting professor of the Xi'an Institute of Science and Technology in the Mainland China. Mr. Yeung is also a Member of the National Committee of Chinese People's Political Consultative Conference, the President of Guangdong Chamber of Foreign Investors, the Honorary Permanent Chairman of The Hong Kong General Chamber of Textiles Limited and the President Honoris Causa of Hong Kong Young Industrialists Council. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are the substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this Report).

Mr. YEUNG Chun Fan, aged 50, is the Vice-chairman and General Manager of the Group which he joined in 1975. Mr. Yeung is the Chairman and an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, an advisory professor of the East China University, the Nanjiang University, the Tianjin Polytechnic University and the Beijing Institute of Clothing Technology. Mr. Yeung is a Member of the Standing Committee of the Hebei Committee of The Political Consultative Conference, a Honorary Vice President of the China Textile Engineer Society and a Vice-president of the Federation of Hong Kong Garment Manufacturers. Mr. Yeung is responsible for the Group's overall business operations. He is a brother of Mr. Charles Yeung and Mr. Yeung Chun Ho. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are the substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this Report).

Mr. YEUNG Chun Ho, aged 58, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Yeung has over 25 years of experience in the garment industry. He is responsible for the Group's weaving and dyeing operations as well as the woven apparel manufacturing operations in the Philippines and Bangladesh. Mr. Yeung is a brother of Mr. Charles Yeung and Mr. Yeung Chun Fan.

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Directors' and senior management's biographies (continued)

Mr. PAU Sze Kee, Jackson, aged 51, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the Group's retail operations in Australia and the administrative and financial matters of the Group's production operations in the Philippines and Bangladesh.

Mr. HUI Chung Shing, Herman, aged 52, is the Chief Administrator of the Group. He is responsible for the administration, personnel, public relations and staff training of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui had been the Group's external legal advisor.

Ms. CHEUNG Wai Yee, aged 51, joined the Group in 1975 and is responsible for the Group's woven apparel manufacturing and export sales operations as well as assisting in the development of retail business in the Mainland China. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Independent Non-Executive Directors

Mr. WONG Man Kong, Peter, J.P., aged 54, is a graduate of the University of California at Berkeley in U.S.A. with a bachelor of science degree in Mechanical Engineering (Naval Architecture) and was an awardee of the "Young Industrialist Award of Hong Kong" in 1988. Mr. Wong is the Chairman of M.K. Corporation Ltd., a Director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited and Sun Hung Kai & Co., Ltd. and the Chairman of North West Development Ltd. He is a Deputy of the 10th National People's Congress of the PRC, an Executive Vice Chairman of Hong Kong Pei Hua Education Association, a Vice Chairman of Chamber of Tourism, All-China Federation of Industry & Commerce and a Director of Ji Nan University. Academically, he holds title of Honorary Professor in Lanzhou University and The Central University for Nationalities.

Mr. LAU Hon Chuen, alias Ambrose LAU, G.B.S., J.P., aged 55, obtained a bachelor's degree in Laws from the University of London. He is a solicitor and a China-Appointed Attesting Officer. He is also a Member of the Board of the Urban Renewal Authority, a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference and a Member of the Legislative Council of the Hong Kong Special Administrative Region.

Senior Management

Mr. CHOW Hing Ping, aged 54, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Chow is responsible for the administration and financial matters of the production and retail operations of the Group in Hong Kong and the Mainland China.

Mr. FUNG Hing Keng, aged 53, joined the Group in 1978 and is a Deputy General Manager of the Group. Mr. Fung has over 30 years of experience in the garment industry. He is responsible for the woven apparel manufacturing operations in the Mainland China and assists in the development of the retail operations in the same area.



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Directors' and senior management's biographies (continued)

Mr. LEE Fung Tai, aged 55, joined the Group in 1983 and is the head of the knitwear division responsible for production. Mr. Lee has over 30 years of experience in the garment industry. He is a substantial shareholder of the companies under the knitwear division. Mr. Lee is a Member of the Beijing Committee of the Political Consultative Conference.

Mr. LI Fung Lok, aged 53, joined the Group in 1983 and is the head of the knitwear division responsible for administration and export sales. Mr. Li has over 30 years of experience in the garment industry. Mr. Li is a substantial shareholder of the companies under the knitwear division.

Ms. CHEUNG Man Yee, Carmen, aged 52, joined the Group in 1982 and is responsible for the Group's product development and marketing operations. Ms. Cheung graduated from the University of Hawaii in U.S.A. with a bachelor's degree in Arts. Prior to joining the Group, she was the manager of the sales and purchase department in one of the largest department stores in U.S.A. Ms. Cheung is the sister of Ms. Cheung Wai Yee.

Mr. David Joseph BOTTA, aged 43, is the Chief Executive Officer of the Group's retail operations in Australia. Mr. Botta holds a bachelor degree of business studies from the University of Technology in Sydney, Australia. Before joining the Group in 2001, Mr. Botta worked in various retailing and wholesale jobs in Australia and Europe.

Mr. LIU Cheung Yuen, alias Timon LIU, aged 45, joined the Group in 1994 and is the Company Secretary of the Company. Mr. Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is also a fellow of the Hong Kong Society of Accountants, and a member of both The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Company Secretaries. Before joining the Group, Mr. Liu worked in a number of international accounting firms and investment holding companies for many years.

Mr. LAI Man Sum, alias Sam LAI, aged 41, joined the Group in 1991 and is the Chief Accountant of the Group. Mr. Lai graduated from the University of Hong Kong with a bachelor's degree in Social Sciences and is a fellow of the Chartered Association of Certified Accountants in the United Kingdom and a Member of the Hong Kong Society of Accountants. Before joining the Group, Mr. Lai worked for an international accounting firm and a garment company for many years.

Substantial shareholders

As at 31 December 2002, the register kept by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

Name	Number of shares held		Percentage of issued share capital
	Direct interest	Deemed interest	
Mr. Charles Yeung, J.P.	–	628,494,000	62.813%
Mr. Yeung Chun Fan	–	628,494,000	62.813%
Glorious Sun Holdings (BVI) Limited	394,954,000	–	39.472%
Advancetex Holdings (BVI) Limited	233,540,000	–	23.340%

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Substantial shareholders (continued)

Note: Mr. Charles Yeung, J.P. and Mr. Yeung Chun Fan were deemed to be interested in 628,494,000 shares, of which 394,954,000 shares related to the parcel of shares held by Glorious Sun Holdings (BVI) Limited and 233,540,000 shares related to another parcel of shares held by Advantetex Holdings (BVI) Limited.

Save as disclosed above, no other parties were recorded in the register as having an interest of 10% or more of the issued share capital of the Company as at 31 December 2002.

Connected transactions

(a) During the period, the Group had the following connected transactions with the following companies:

		Period from 1 April 2002 to 31 December 2002	Year ended 31 March 2002
	Notes	HK\$'000	HK\$'000
Rental expenses paid to:	(i)		
Houtex Investments Limited		1,698	2,486
Golden Sunshine Enterprises Limited		3,743	4,975
G. S. (Yeungs) Limited		801	1,068
Harbour Guide Limited		1,231	1,989
Gantin Limited		234	312
Gloryear Management Limited		504	851
Sales of garments to Jeanswest Corporation (New Zealand) Limited	(ii)	2,868	–
Management service fees received from Jeanswest Corporation (New Zealand) Limited	(iii)	2,784	–

Notes:

- (i) The rental expenses were charged with reference to the prevailing open market rentals.
- (ii) The sales of garments were made according to terms and conditions comparable to those offered to the major customers of the Group.
- (iii) Management service fees were charged according to the management service agreement signed between the parties having regard to the cost of services provided.

All of the above companies are controlled by Mr. Charles Yeung, J.P., and Mr. Yeung Chun Fan, both of whom are directors of the Company.





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Connected transactions (continued)

The independent non-executive directors of the Company have reviewed and confirmed that all the above transactions with the related companies are in the ordinary and usual course of the Group's business, and that in their opinion, they are on terms that are fair and reasonable so far as the shareholders of the Company are concerned, and in accordance with the terms of the agreements governing the transactions.

- (b) On 10 June 2002, Jeanswest International (L) Limited ("JIL"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Old Garage Pty Limited ("OGPL") whereby JIL agreed to dispose of the entire issued share capital of Jeanswest Corporation (New Zealand) Limited ("NZ Co") and to assign the shareholders' loan of A\$3,800,000 (equivalent to approximately HK\$17,540,000) owed by NZ Co to the Group, to OGPL. OGPL is a company indirectly owned as to 75 per cent by the existing substantial shareholders and directors of the Company. The cash consideration for the disposal of the subsidiary and assignment of shareholders' loan is NZ\$2 (equivalent to approximately HK\$8) and A\$3,800,000 (equivalent to approximately HK\$17,540,000), respectively. Details of the connected transaction have been included in an announcement of the Company dated 10 June 2002.

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 period.

Post balance sheet event

Details of the significant post balance sheet event of the Group are set out in note 37 to the financial statements.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

Audit Committee

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

Charles Yeung, J.P.
Chairman

Hong Kong
17 April 2003