

The directors submit their report together with the audited accounts for the year ended 31st March, 2003.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments.

An analysis of the Group's results, assets and liabilities by business and geographical segment is set out in note 2 to the accounts.

Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

	2003	2002
	%	%
Sales		
— the largest customer	51	39
— five largest customers combined	96	97
Purchases		
— the largest supplier	65	27
— five largest suppliers combined	78	62

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers as noted above.

Analysis of the Group's Performance

An analysis of the Group's performance is shown in the Chairman's Statement on pages 2 to 5.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 16.

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2003.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 18 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$6,000.

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 17 to the accounts.

Distributable Reserves

The Company had no distributable reserves as at 31st March, 2003 (2002: HK\$30,658,000).

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 48.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31st March, 2003 are set out in note 25 to the accounts.

Analysis of Bank Loans and Other Borrowings

The Group's bank loans and other borrowings as at 31st March, 2003 are repayable over the following periods:

	Bank loans	Other borrowings
	HK\$'000	HK\$'000
Within one year	11,124	345
In the second year	3,839	349
In the third to fifth year inclusive	—	679
	<u>14,963</u>	<u>1,373</u>

Directors

The directors during the year were:

Mr. Wong Tek Sun, Takson

Ms. Pang Shu Yuk, Adeline Rita

Mr. Lian Cheng Chi (resigned on 6th January, 2003)

Mr. Tsao Kwang Yung, Peter*

Mr. Lee Kwok Cheung*

Mr. Wong Tak Yuen** (appointed on 6th January, 2003)

* *independent non-executive directors*

** *non-independent non-executive director*

All the directors of the Company except the Chairman are subject to retirement by rotation and re-election at the forthcoming annual general meeting in accordance with clause 87 of the Company's Bye-laws.

In accordance with the Company's Bye-laws, Mr. Tsao Kwang Yung, Peter, retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita has a service contract with the Company which is determinable within one year without payment of compensation, other than statutory compensation. Apart from the aforesaid, none of the directors, including the director proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company.

Directors and Senior Management

Biographical details of directors and senior management of the Group are shown below:

Executive Directors

Mr. Wong Tek Sun, Takson, age 52, is the Chairman and Chief Executive Officer of the Group. He received his tertiary education in the PRC before he co-founded the Group in 1972. He has over 30 years' experience and in-depth knowledge of marketing in the US and European markets and of the manufacturing of outerwear garments in the PRC and Hong Kong. He is responsible for the development of corporate planning and strategy, sales and marketing and overall management of the Group.

Ms. Pang Shu Yuk, Adeline Rita, age 44, is the Deputy Chairman and Chief Operations Officer of the Group and oversees merchandising, production planning and control, and various operational and administrative matters of the Group. She holds a higher diploma in fashion and clothing technology from the Hong Kong Polytechnic University. She joined the Group in 1983 and is the wife of Mr. Wong Tek Sun, Takson.

Non-Executive Directors

Mr. Tsao Kwang Yung, Peter, CBE, CPM, age 69, was the former Secretary for Home Affairs of the Hong Kong Government. Mr. Tsao was appointed as the special envoy to Geneva and became the head of the Trade and Industry Departments in 1979 and 1981 respectively. In 1983, Mr. Tsao headed the Government Information Services and in 1988 he was appointed as the Secretary for Home Affairs from which post he retired in February, 1992. He is currently the Chairman of Prima Consultants Limited and a director of a number of companies in Hong Kong and the United Kingdom. He was appointed as an independent non-executive director of the Company in September, 1997.

Mr. Lee Kwok Cheung, age 54, is a director of Management Capital Limited, a company engaged in the business of direct investment and financial advisory. From 1994 to 1995, Mr. Lee was the chief executive of Polytec Holdings Limited, a textile and real estate group, and from 1991 to 1993, Giordano Holdings Limited. Mr. Lee has over eleven years' experience in banking. He was appointed as an independent non-executive director of the Company in September, 1997.

Mr. Wong Tak Yuen, age 47, has extensive experience in the PRC market for more than 20 years. He is a brother of Mr. Wong Tek Sun, Takson. He was appointed as a non-executive director of the Company in January, 2003.

Directors and Senior Management *(continued)*

Senior Management

Ms. Wan Choi Chun, Dorothy, age 32, is the Finance Director of the Group and is also the Company Secretary. She is responsible for the financial planning and management information system of the Group. She holds a degree in business administration from the Chinese University of Hong Kong. She is a member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group in 1996, she had worked for an international accounting firm in Hong Kong for approximately four years.

Mr. Kwok Chak Man, Bernard, age 36, is the General Merchandising Manager of the Group. He holds a diploma in clothing from the Kwun Tong Technical Institute and a higher certificate in fashion and clothing manufacturing from the Hong Kong Polytechnic University. Prior to joining the Group in 1991, he had over four years' experience in the garment industry.

Ms. Law Yu Yuk, Alexandra, age 37, is the General Merchandising Manager of the Group. She holds a diploma of marketing from the Marketing Confederation Australia. Prior to joining the Group in 1993, she had over five years' experience in the garment industry.

Ms. Li Yuk Fong, Kerly, age 45, is the Operation Control Manager of the Group. She holds an international diploma in computer studies from NCC The National Centre for Information Technology in the United Kingdom and a diploma in management studies awarded jointly by the Hong Kong Polytechnic University and the Hong Kong Management Association. She is an associate member of the Hong Kong Institute of Human Resource Management. Prior to joining the Group in 1990, she had worked in the systems and control field for more than four years.

Ms. Tang Yuen Ping, Gloria, age 44, is the shipping manager of the Group. Prior to joining the Group in 1990, she had worked in the shipping field for over twelve years.

Directors' Interests in Contracts

Except the directors' service contracts as mentioned above, no contracts of significance in relation to the Group's business to which the Company, its holding companies, its fellow subsidiaries, or 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' and Chief Executives' Benefits from Rights to Acquire Shares or Debentures

At no time during the year was the Company, its holding companies, its fellow subsidiaries or its subsidiaries a party to any arrangement to enable the directors and chief executives or their spouse or children under 18 years of age of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executives' Interests in Shares of the Company and Associated Corporations

As at 31st March, 2003, the interests of directors, chief executives and their associates of the Company in the shares of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ('SDI Ordinance')) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Number of ordinary shares in the Company beneficially held

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total interests
Wong Tek Sun, Takson	4,018,000	9,000,000	237,600,000 (Note 1)	—	250,618,000
Pang Shu Yuk, Adeline Rita	9,000,000	4,018,000	237,600,000 (Note 1)	—	250,618,000

Directors' and Chief Executives' Interests in Shares of the Company and Associated Corporations *(continued)*

Note:

- (1) The references to 237,600,000 shares relate to the same block of shares in the Company. Such shares are held by Takson International Holdings Limited, the entire issued share capital of which is held by Wangkin Investments Inc. ('WII') as trustee of the Wangkin Investments Unit Trust (the 'Unit Trust'). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the 'Family Trust'). The discretionary beneficiaries of the Family Trust are, inter alia, Ms. Pang Shu Yuk, Adeline Rita, Mr. Wong Chi Wang, Calvin, and Mr. Wong Chi Kin, Christopher.

Mr. Wong Tek Sun, Takson owns more than one-third of the issued share capital of WII and his children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, he is taken to be interested in the 237,600,000 shares in the Company under the SDI Ordinance.

Ms. Pang Shu Yuk, Adeline Rita, owns more than one-third of the issued share capital of WII and she and her children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, she is taken to be interested in the 237,600,000 shares in the Company under the SDI Ordinance.

Save as disclosed above, as at 31st March, 2003, none of the directors and chief executives (including their spouse and children under 18 years of age) had any other interests in the shares in or debentures of the Company or of any of its associated corporations (within the meaning of the SDI Ordinance) which had been entered in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

Substantial Shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that as at 31st March, 2003, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of substantial shareholders	Number of ordinary shares held
Wangkin Investments Inc. <i>(Note)</i>	237,600,000
Takson International Holdings Limited <i>(Note)</i>	237,600,000

Note: Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.

Substantial Shareholders *(continued)*

Save as disclosed herein, as at 31st March, 2003, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to 'A Guide for The Formation of An Audit Committee' published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the directors and the Company's auditors for matters coming within the scope of the audit of the Group. It also reviews the effectiveness both of the external audit and of the internal controls and risk evaluation. The Committee comprises the two independent non-executive directors, namely Mr. Tsao Kwang Yung, Peter and Mr. Lee Kwok Cheung. Two meetings were held during the year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

Management Contracts

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Compliance with the Code of Best Practice of the Listing Rules

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 throughout the year ended 31st March, 2003, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's By-laws.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Tek Sun, Takson

Chairman

Hong Kong, 8th July, 2003