



REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 16 to 41.

The directors do not recommend the payment of any dividend in respect of the year.

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 42. This summary does not form part of the audited financial statements.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

Share capital and share options

Details of the Company's share capital and share options are set out in notes 22 and 23 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

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.



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Distributable reserves

At 31 March 2003, 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\$30,577,000. In addition, the Company's share premium account, in the amount of HK\$49,586,000, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 44% of the total sales for the year and sales to the largest customer included therein amounted to 11%. Purchases from the Group's five largest suppliers accounted for 32% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13%.

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 year and up to the date of this report were:

Executive directors:

Char On Man
So Choi Hing, Stella
Li Wing Tak

Independent non-executive directors:

Woo, Michael
Ho Wai Chi, Paul

In accordance with the Company's bye-laws, So Choi Hing, Stella will retire and, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

The independent non-executive directors are not appointed for specific terms and 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' service contracts

Each of the executive directors of the Company entered into a service contract with the Company for a term of three years with effect from 1 March 1997, which has continued thereafter on an annual basis until terminated by either party giving to the other with not less than six months' notice.

Apart from the foregoing, 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.



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Directors' interests in contracts

Save as disclosed in note 29 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, its holding company or any of its subsidiaries was a party during the year.

Directors' interests in shares

At 31 March 2003, the interests of the directors in the share capital of the Company or its associated corporations, 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	Number of ordinary shares held and nature of interest	
	Corporate	Personal
Char On Man	167,832,000*	46,095,000
So Choi Hing, Stella	–	3,885,000
	<u> </u>	<u> </u>

* These shares are held through Wellglow Investments Limited, a company in which Mr. Char On Man has total interests of 89.58%.

(ii) Subsidiary – Peking Fur Factory (Hong Kong) Limited

Name of director	Nature of interest	Number of non-voting deferred shares held
Char On Man	Personal	11,444
		<u> </u>

(iii) Associated corporation – Wellglow Investments Limited

Name of director	Number of ordinary shares held and nature of interest	
	Personal	Family
Char On Man	674	100
So Choi Hing, Stella	60	–
	<u> </u>	<u> </u>

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



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Directors' rights to acquire shares or debentures

At no time during the year 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, its holding 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 March 2003, the following interests of 10% or more of the issued share capital of the Company was 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 shares held	Percentage of the Company's issued share capital
Wellglow Investments Limited	<u>167,832,000</u>	<u>52.9</u>

This interest has also been disclosed as an interest of Mr. Char On Man under the section "Directors' interests in shares" above.

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" above, 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.

Biographical details of directors and senior management

Executive directors

Mr. Char On Man, aged 50, is the Group's founder and has been the chairman and managing director of the Group since August 1978. He is responsible for the overall management of the Group's operations, in particular the procurement and trading of tanned leather and fur pelts, as well as overseeing the overall operations of the fur garment business. He is now a director of the Shenzhen Leather Trades Association. He has over 20 years' experience in the leather and fur industries.

Ms. So Choi Hing, Stella, aged 49, is the director of sales of the Group. She is responsible for the sales and marketing of leather garments and for the Group's overall administrative operations. She has been with the Group since September 1981.

Mr. Li Wing Tak, aged 45, is the director of finance of the Group. He has 20 years' experience in finance and accounting. He holds a bachelor's degree in economics from Macquarie University in Australia and is a fellow member of the Hong Kong Society of Accountants and of the Australian Society of Certified Practising Accountants. He also served as the regional financial controller for two multinational trading and manufacturing companies for five years prior to joining the Group in March 1994.



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Biographical details of directors and senior management (continued)

Independent non-executive directors

Mr. Woo, Michael, aged 58, is the managing director of Europe Fur Co., Ltd., Europe Fashions Ltd., Dongguan Mayfair Fashions Ltd. and Mayfur Canada Inc. He was the chairman of the Federation of Fur Manufacturers and Dealers (H.K.) Ltd. during the period from 1995 to 1996. He joined the Group as a director in August 1996.

Mr. Ho Wai Chi, Paul, aged 52, is currently a non-executive director of China Star Entertainment Limited and Ngai Hing Hong Company Limited. He is the sole proprietor of Paul W.C. Ho & Company, Certified Public Accountants, and is an associate member of the Institute of Chartered Accountants in England and Wales, the United Kingdom and a fellow member of the Hong Kong Society of Accountants. He joined the Group as a director in February 1997.

Senior management

Mr. Au Hung, aged 48, is the general manager of the Group's factory in the People's Republic of China (the "PRC"). He has more than 20 years' experience in the leather and fur industries and has in-depth knowledge of the manufacture, distribution and trading of leather and fur products in the PRC market. He joined the Group in October 1975.

Mr. Chan Ching Kwan, aged 51, is the manager of the Group's factory in the PRC. He joined the Group in March 1988 and has more than 20 years' experience in the production of leather garments. He is responsible for the Group's manufacturing operations of leather garments.

Mr. Choi Hing Yee, aged 45, is the sales manager of the Group in the PRC. He joined the Group in August 1991. He has over 20 years' experience in the marketing of fur and leather products.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report, except that the 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.



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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

Char On Man

Chairman and Managing Director

Hong Kong
22 July 2003