

## DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30th June, 2003.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and trading of garments, proprietary trading in securities and investment holding.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June, 2003 are set out in the consolidated income statement on page 16.

The Directors recommend the payment of a final dividend of HK1.5 cents per share to the shareholders on the register of members on 10th October, 2003, amounting to HK\$18,259,000, and the retention of the remaining profit for the year of HK\$49,205,000.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

### RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Certain of the Group's leasehold land and buildings were revalued at 30th June, 2003. The revaluation resulted in a deficit amounting to HK\$470,000, which had been charged to the consolidated income statement.

During the year, the Group's leasehold land and building with carrying value of HK\$21,164,000 was transferred to investment property. The deficit on revaluation of an investment property amounting to HK\$2,664,000 was charged to the consolidated income statement.

Details of these and other movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 13 and 14 to the financial statements respectively.

## DIRECTORS' REPORT

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's turnover and purchases attributable to the major customers and suppliers for the year ended 30th June, 2003 is as follows:

	Percentage of the Group's aggregate Turnover	Purchases
The largest customer	11.0%	
Five largest customers in aggregate	37.3%	
The largest supplier		41.0%
Five largest suppliers in aggregate		60.0%

At no time during the year did a Director, an associate of a Director or any shareholder (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had an interest in the share capital of any of the five largest customers or suppliers.

### DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Mr. Lau Tung Hoi (*Chairman*)  
 Mr. Lung Tze Lam (*Vice Chairman*)  
 Mr. Tong Yat Chong  
 Mr. Lai Kwok Wing, Albert M.B.E.\*  
 Mr. Wu Wing Kit\*

\* *Independent non-executive directors*

With the exception of the Chairman of the Board, all other Directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

Mr. Wu Wing Kit retires in accordance with clause 87 of the Company's Bye-laws and, being eligible, offers himself for re-election.

The term of office of each non-executive Director is the period up to his retirement by rotation in accordance with the above clause.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SHARES

At 30th June, 2003, the interest of the Directors and their associates in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long positions of ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lau Tung Hoi	Held by trust ( <i>Note 1</i> )	815,360,000	67.0%
Lung Tze Lam	Held by corporation ( <i>Note 2</i> )	815,360,000	67.0%
Tong Yat Chong	Beneficial owner	370,000	0.03%

#### Notes:

1. These shares are held by Linwood Services Ltd. ("Linwood"), 32 shares of Linwood (representing two-third of the entire share capital of Linwood) are owned by Money Belt Worldwide Limited ("Money Belt"). Money Belt is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by HSBC International Trustee Limited as trustee of a discretionary trust, the discretionary objects of which include Mr. Lau Tung Hoi and his family members.
2. These shares are held by Linwood, 8 shares of Linwood (representing one-sixth of the entire issued share capital of Linwood) are beneficially owned by Mr. Lung Tze Lam.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2003.

### SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the financial statements.

No options under the above scheme were granted or exercised since the adoption of the scheme and no options were outstanding as at 30th June, 2003.

## **DIRECTORS' REPORT**

### **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

Other than as disclosed in the section headed "Share Options" above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or their associates 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 or their spouses or 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.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Other than the operating lease rental paid for a Director's accommodation to a landlord in which a Director of the Company has a beneficial interest as disclosed in note 31 to the financial statements, no other contracts of significance to which the Company, its holding company or any of 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.

### **SUBSTANTIAL SHAREHOLDERS**

As at 30th June, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, apart from the interests disclosed above in respect of Messrs. Lau Tung Hoi and Lung Tze Lam, the Company has not been notified of any other interests or short positions of the Company's issued share capital as at 30th June, 2003.

### **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 existing shareholders.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Apart from the particulars of the repurchases of own shares by the Company as set out in note 22 to the financial statements, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **DIRECTORS' REPORT**

### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 30th June, 2003 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **AUDITORS**

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**LAU TUNG HOI**

*Chairman*

Hong Kong, 9th September, 2003