



# 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 2004.

## ***Principal activities***

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 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 profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 14 to 37.

The directors recommend the payment of a final dividend of 1 HK cent per ordinary share in respect of the year to shareholders on the register of members on 26 August 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits or contributed surplus within the capital and reserves section of the balance sheet.

## ***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 38. 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 14 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 2004, the Company's reserves available for distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, amounted to HK\$33,870,000, of which HK\$3,170,000 has been proposed as a final dividend for the year. 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 42% of the total sales for the year and sales to the largest customer included therein amounted to 13%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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.

## ***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, Woo, Michael will retire and, being eligible, will offer himself 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***

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.



# REPORT OF THE DIRECTORS

## *Directors' interests and short positions in shares*

As at 31 March 2004, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, 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, were as follows:

### (1) Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Char On Man	52,457,000	167,832,000 ( <i>note 1</i> )	220,289,000	69.4%
So Choi Hing, Stella	<u>3,885,000</u>	<u>–</u>	<u>3,885,000</u>	<u>1.2%</u>

### (2) Long positions in shares of associated corporations:

#### (a) *Peking Fur Factory (Hong Kong) Limited, the Company's subsidiary*

Name of director	Capacity and nature of interest	Type of shares held	Number of shares held	Percentage of shareholding in respective class of shares
Char On Man	Directly beneficially owned	Non-voting deferred	11,444	95.3%

#### (b) *Wellglow Investments Limited, the Company's holding company*

Name of director	Number of ordinary shares held, capacity and nature of interest		Total	Percentage of shareholding in respective class of shares
	Directly beneficially owned	Through spouse or minor children		
Char On Man	674	100	774	89.5%
So Choi Hing, Stella	<u>60</u>	<u>–</u>	<u>60</u>	<u>6.9%</u>

*Note:*

- These shares are held through Wellglow Investments Limited, a company in which Char On Man has total interests of 89.5%.



**REPORT OF THE DIRECTORS**

***Directors' interests and short positions in shares (continued)***

Save as disclosed above, as at 31 March 2004, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

***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 minor children, 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' interests and short positions in shares***

As at 31 March 2004, the following interests and short positions of 5% 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 336 of the SFO:

Long positions in ordinary shares of the Company:

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued share capital</b>
Wellglow Investments Limited	Directly beneficially owned	167,832,000	52.9%
Char On Man	Directly beneficially owned	52,457,000	16.5%

The above interest has also been disclosed as an interest of Char On Man under the section "Directors' interests and short positions in shares" above.

Save as disclosed above, as at 31 March 2004, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



# REPORT OF THE DIRECTORS

## *Biographical details of directors and senior management*

### **Executive directors**

Mr. Char On Man, aged 51, 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 50, 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 46, is the director of finance of the Group. He has over 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.

### **Independent non-executive directors**

Mr. Woo, Michael, aged 59, 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 Hong Kong Fur Federation and is currently an honorary advisor of it. He joined the Group as a director in August 1996.

Mr. Ho Wai Chi, Paul, aged 53, is currently a non-executive director of China Star Entertainment Limited and Ngai Hing Hong Company Limited. He is the precedent partner 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 49, 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 manufacturing, distribution and trading of leather and fur products in the PRC market. He joined the Group in October 1975.

Mr. Choi Hing Yee, aged 46, is the assistant general 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. He is responsible for the Group's factory manufacturing and trading of fur products.

Ms. Zhang Chun Wei, aged 45, was promoted on 1 April 2004 to become the assistant general manager of the Group in the PRC. She joined the Group's factory in March 1998 as the head of fabric garment production. She is now responsible for the factory's overall personnel and administration and production planning. Prior to joining us, she has been in the garment manufacturing industry for about 20 years.

Mr. Chan Ching Kwan, aged 52, 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.

Miss Char, Danielle, aged 23, is the marketing manager and is responsible for the overall marketing and design of the Group. Miss Char graduated from the University of Michigan in the US with a Bachelor of Science degree in Architecture. She joined the Group in July 2003 and is the daughter of Mr. Char On Man.



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## *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 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.

## *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 2004