

## REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

### Principal activities

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

### Segmental information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical location for the years ended 31 March 2001 and 2000 is as follows:

	Turnover		Contribution to profit from operating activities	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Retail sales	1,346,586	1,461,228	42,608	126,034
Export sales	1,392,138	1,334,766	232,043	238,921
Others	264,519	234,812	77,072	63,473
	<b>3,003,243</b>	<b>3,030,806</b>	<b>351,723</b>	<b>428,428</b>
By geographical location:				
The People's Republic of China				
Mainland China	839,540	809,269	107,832	96,144
Hong Kong	201,102	187,414	57,119	55,880
	<b>1,040,642</b>	<b>996,683</b>	<b>164,951</b>	<b>152,024</b>
US	1,260,185	1,210,901	209,570	214,084
Australia and New Zealand	527,085	655,472	(61,915)	29,680
Canada	30,869	23,206	5,990	5,329
Others	144,462	144,544	33,127	27,311
	<b>3,003,243</b>	<b>3,030,806</b>	<b>351,723</b>	<b>428,428</b>

## REPORT OF THE DIRECTORS

### Results and dividends

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 67.

An interim dividend of HK3.30 cents (2000: HK3.30 cents) per share was paid on 4 January 2001. The directors recommend the payment of a final dividend of HK7.50 cents (2000: HK7.50 cents) per share in respect of the year to shareholders on the register of members on 7 September 2001. This recommendation has been incorporated in the financial statements. The proposed final dividend together with the interim dividend paid make a total dividend of HK10.80 cents for the year (2000: HK10.80 cents).

### Fixed assets and investment property

Details of movements in the fixed assets and investment property of the Group are set out in notes 12 and 13 to the financial statements, respectively.

### Jointly-controlled entities and associates

Particulars of the Group's interests in jointly-controlled entities and associates are set out in notes 15 and 16, and notes 37 and 38, to the financial statements, respectively.

### Subsidiaries

Particulars of the Company's principal subsidiaries are set out in notes 14 and 36 to the financial statements.

### Share capital

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 29 to the financial statements.

### 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 year are set out in note 30 to the financial statements.

### Distributable reserves

The total amount of reserves of the Company available for cash distribution was HK\$742,785,000 as at 31 March 2001, as computed in accordance with The Companies Act 1981 of Bermuda (as amended). In addition, the share premium account with a balance of HK\$268,668,000 as at 31 March 2001 may be distributed in the form of fully paid bonus shares.

## REPORT OF THE DIRECTORS

### **Bank loans, overdrafts and other borrowings**

Particulars of bank loans, overdrafts and other borrowings of the Group as at the balance sheet date are set out in notes 24, 26, 27 and 28 to the financial statements.

### **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 year.

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

### **Directors**

The directors of the Company during the year 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, Ms. Cheung Wai Yee and Mr. Lau Hon Chuen will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### **Emoluments of directors and the five highest paid individuals**

Details of the emoluments of directors and the five highest paid individuals in the Group are set out in notes 5 and 6 to the financial statements, respectively.

### **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 other than statutory compensation.

## REPORT OF THE DIRECTORS

### Directors' rights to acquire shares

Pursuant to the Company's share option scheme, as detailed in note 29 to the financial statements, which was approved by shareholders at the special general meeting on 2 September 1996, the directors may, at their discretion, grant options to employees of the Company or its wholly-owned subsidiaries, including executive directors of any such companies, to subscribe for shares in the Company.

Share options as detailed below were granted to directors of the Company in 1997 and remained outstanding at the balance sheet date.

Director	Number of shares to be issued upon exercise of share options	Subscription price per share HK\$	Consideration paid for the grant of share options HK\$
Mr. Yeung Chun Fan	5,940,000	1.80	1
Mr. Yeung Chun Ho	10,000,000	1.80	1
Mr. Pau Sze Kee, Jackson	2,962,000	2.564	1
	7,000,000	1.80	1
Mr. Hui Chung Shing, Herman	10,000,000	1.80	1
Ms. Cheung Wai Yee	2,404,000	2.564	1
	7,494,000	1.80	1

No share options were exercised by the directors during the period from the date of grant to 31 March 2001.

Apart from the foregoing, at no time during the year were rights to acquire benefits by means of shares in 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 arrangements 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.

## REPORT OF THE DIRECTORS

### Directors' interests in securities

As at 31 March 2001, 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 ("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:

Director	Number of shares held				Number of share options held
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Charles Yeung, J.P.	-	-	694,954,000 <i>note (a)</i>	-	-
Mr. Yeung Chun Fan	-	-	694,954,000 <i>note (a)</i>	-	5,940,000
Mr. Yeung Chun Ho	-	-	6,770,000 <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	-	-	-	-	9,898,000
Mr. Lau Hon Chuen, G.B.S., J.P.	956,000	-	-	-	-

#### Notes:

- (a) 393,230,000 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), 300,000,000 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) and 1,724,000 shares were held by G. S. Financial Investment Company Limited (the entire issued voting share capital of which was held as to 50% by each of Mr. Charles Yeung, J.P. and Mr. Yeung Chun Fan), which together represented approximately an aggregate of 69.5% of the total number of issued shares of the Company.
- (b) 6,770,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho, which represented approximately 0.677% of the total number of issued shares of the Company.

Save as disclosed above, none of the directors, or the 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.

## REPORT OF THE DIRECTORS

### Directors' interests in contracts

Save as disclosed in notes 34 and 35 to the financial statements, no director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

### Directors and senior management biographies

#### Executive Directors

**Mr. Charles YEUNG, J.P., alias YEUNG Chun Kam**, aged 54, 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 East China University. He is an advisory professor of the East China University and the Tianjin Polytechnic University and a guest professor of the Northwest Institute of Textile 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 Vice-president of China Association of Enterprises with Foreign Investment, the 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 Advantetex 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 48, 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 Consultant of the China Garment Association 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 Advantetex 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 56, 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.

**Mr. PAU Sze Kee, Jackson**, aged 50, 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.

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**Mr. HUI Chung Shing, Herman**, aged 51, 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. He was also previously an executive director of a listed company in Hong Kong for many years with extensive administration experience.

**Ms. CHEUNG Wai Yee**, aged 49, 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 52, 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 9th National People's Congress of the PRC. He also serves as Economic Adviser to Xinjiang Autonomous Region, Qinghai Province as well as Lanzhou Municipal Government. Academically, he holds title of Honorary Professor in Lanzhou University and The Central University for Nationalities.

**Mr. LAU Hon Chuen, alias Ambrose, G.B.S., J.P.**, aged 54, 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 Member of the National Committee of 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 53, 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 51, joined the Group in 1978 and is a Deputy General Manager of the Group. Mr. Fung has 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.

**Mr. LEE Fung Tai**, aged 53, 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.

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**Mr. Li Fung Lok**, aged 51, 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 50, 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. Ms Cheung is the sister of Ms. Cheung Wai Yee.

**Mr. David Joseph BOTTA**, aged 42, is the Chief Executive Officer of the Group's retail operations in Australia and New Zealand. 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 43, 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 40, 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 March 2001, 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.	–	694,954,000	69.5%
Mr. Yeung Chun Fan	–	694,954,000	69.5%
Glorious Sun Holdings (BVI) Limited	393,230,000	–	39.3%
Advancetex Holdings (BVI) Limited	300,000,000	–	30.0%

*Note: Mr. Charles Yeung, J.P. and Mr. Yeung Chun Fan were deemed to be interested in 694,954,000 shares, of which 393,230,000 shares related to the parcel of shares held by Glorious Sun Holdings (BVI) Limited, 300,000,000 shares related to the parcel of shares held by Advancetex Holdings (BVI) Limited and 1,724,000 shares related to the parcel of shares held by G. S. Financial Investment Company 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 March 2001.



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### **Purchase, Sale or redemption of the Company's listed securities**

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

### **Code of Best Practice**

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 accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

### **Audit Committee**

Pursuant to the requirements of the Listing Rules, an Audit Committee of the Company was established in July 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants. The Audit Committee comprises two independent non-executive directors of the Company. During the financial year, the Audit Committee met twice to review the Company's financial reporting process, internal controls and the interim and final results.

### **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  
20 July 2001