

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 principal activities of its subsidiaries consisted of investment holding, properties investment, and the manufacture, trading and distribution of leather and non-leather garments.

Properties investment is a new business entered into by the Group during the year. Apart from the commencement of properties investment, the Group's principal activities have not changed during the year.

SEGMENTAL INFORMATION

Details of the Group's turnover and the contribution to loss after finance costs by principal activity and by geographical area of operations are set out in note 3 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss 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 17 to 46.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the results of the Group for the last five financial reporting years and of its assets and liabilities at the respective financial reporting year end dates, as extracted from the published audited financial statements of the Group, except that the results of the Group for each of the three years ended 31 March 1999 and its assets and liabilities at the respective balance sheet dates have been restated as a result of the change in accounting policy for deferred business development costs during the year ended 31 March 2000.

RESULTS

	Year ended 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TURNOVER	143,575	118,703	160,415	218,557	290,913
PROFIT/(LOSS) AFTER FINANCE COSTS	(41,634)	(66,438)	(175,232)	(225,684)	41,181
Share of losses less profits of associates	(204)	–	1,569	379	–
PROFIT/(LOSS) BEFORE TAX	(41,838)	(66,438)	(173,663)	(225,305)	41,181
Tax	–	2	57	396	(5,686)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(41,838)	(66,436)	(173,606)	(224,909)	35,495
Minority interests	7	–	–	155	759
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	(41,831)	(66,436)	(173,606)	(224,754)	36,254

SUMMARY FINANCIAL INFORMATION (continued)**ASSETS AND LIABILITIES**

	As at 31 March				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	65,297	23,503	37,295	133,741	49,244
CURRENT ASSETS	145,892	111,277	110,253	206,641	295,105
TOTAL ASSETS	211,189	134,780	147,548	340,382	344,349
CURRENT LIABILITIES	(58,004)	(41,634)	(57,645)	(113,759)	(58,370)
NON-CURRENT LIABILITY	(3,005)	(3,193)	(3,372)	(3,521)	(3,640)
TOTAL LIABILITIES	(61,009)	(44,827)	(61,017)	(117,280)	(62,010)
MINORITY INTERESTS	–	–	–	–	(405)
NET ASSETS	150,180	89,953	86,531	223,102	281,934

FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group are set out in note 11 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 12 and 14 to the financial statements, respectively.

BORROWINGS

Details of the Group's borrowings at 31 March 2001 are set out in note 18 to the financial statements.

CONVERTIBLE REDEEMABLE DEBENTURES

Details of movements in the Company's convertible redeemable debentures are set out in note 20 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year and subsequent to the balance sheet date, together with the reasons therefor, are set out in note 21 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 of the Group during the year are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company had no retained profits available for distribution. The Company's share premium account of HK\$285,618,000 as at 31 March 2001 may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company in the amount of HK\$172,576,000 as at 31 March 2001 is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Cheung Ngan

Mr. Chan Chung Chun, Arnold

Mr. Wong Tat Chun

Ms. Chan Shan (resigned on 29 September 2000)

Independent non-executive directors

Mr. Li Chao De

Mr. Zhao Hong

Subsequent to the balance sheet date, on 25 April 2001, Mr. Wong Tat Chun resigned as a director of the Company.

In accordance with bye-law 111 of the Company's bye-laws, Mr. Li Chao De will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Independent non-executive directors are not appointed for specific terms as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's bye-laws.

REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of the Company's share option scheme approved by the shareholders on 23 April 1996, the directors may, at their discretion, invite any full-time employees of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The scheme became effective on 24 May 1996. Details of the share option scheme are set out in note 21 to the financial statements.

There were no new share options granted to the directors during the year. None of the share options granted to the directors in prior years were exercised during the year. The number of share options granted to the directors which remained outstanding at the balance sheet date was as follows:

Director	Number of options granted
Mr. Wong Tat Chun	15,014,700
Mr. Chan Chung Chun, Arnold	30,029,400
	<u>45,044,100</u>

In addition, 6,486,350 share options were granted to Ms. Chan Shan, the wife of Mr. Wong Tat Chun, which remained outstanding as at 31 March 2001.

All of the above share options were granted on 27 June 1997 and are exercisable on or before 26 June 2007 at a price of HK\$0.537 per share.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the interests of the directors and their associates in the share capital of the Company and the shares of its associated corporations as required to be recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and the Model Code for dealing in securities prescribed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

	Personal interests		Corporate/Family interests	
	Number of shares	Number of options	Number of shares	Number of options
Director				
Mr. Wong Tat Chun (<i>Note</i>)	–	15,014,700	–	6,486,350
Mr. Chan Chung Chun, Arnold	–	30,029,400	–	–
		<u>45,044,100</u>		<u>6,486,350</u>

Note: 6,486,350 options were held by Ms. Chan Shan, the wife of Mr. Wong Tat Chun and a director of certain subsidiaries of the Company.

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

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

No person had registered an interest amounting to 10% or more of the issued share capital of the Company at the balance sheet date pursuant to Section 16(1) of the SDI Ordinance.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Cheung Ngan	44	Chairman, Director	3	Joined the Group in March 1998 and is responsible for the development of corporate strategies, corporate planning, marketing and management functions of the Group. He has over seventeen years' working experience in corporate management and knowledge of PRC investments.
Ms. Chan Shan	37	Director	11	Is the founder of the Group and has over twelve years' experience in the leather garment industry. She is responsible for overseeing the management and production functions of the Group. She is the wife of Mr. Wong Tat Chun. Ms. Chan resigned as a director of the Company on 29 September 2000.
Mr. Wong Tat Chun	38	Director	11	Joined the Group in 1990 and is the husband of Ms. Chan Shan. He is responsible for the design and marketing functions and is also responsible for setting up the retail outlets of the Group in the PRC. Before joining the Group, he had been a lecturer in fashion design at the China Textile University for five years. Mr. Wong resigned as a director of the Company on 25 April 2001.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (continued)

Name	Age	Position held	Number of years of service	Business experience
Mr. Chan Chung Chun, Arnold	41	Deputy Chairman, Director	6	Joined the Group in April 1995 and is responsible for general corporate investment and the financial advisory functions of the Group. He has extensive working experience in accountancy and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC.
Mr. Li Chao De	40	Non-Executive Director	2	Is a Professor in the Arts Faculty of Suzhou University. He holds a Bachelor's degree in Arts from Suzhou University of Technology. He has over sixteen years' experience in Arts & Design.
Mr. Zhao Hong	41	Non-Executive Director	1	Is presently the Deputy Chief Executive of CITIC Industrial Bank, Tianjin Branch. He graduated from Tianjin Financial and Economic College and has nearly nineteen years' experience in the banking industry.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

COMPLIANCE WITH THE 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 year 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 and re-election at annual general meetings of the Company in accordance with the provision of the Company's bye-laws.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in 2000 in compliance with the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules. Mr. Li Chao De and Mr. Zhao Hong were appointed as members upon the establishment of the Audit Committee. The work of the Audit Committee has covered the full financial year ended 31 March 2001.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 26 to the financial statements.

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

Cheung Ngan

Chairman

Hong Kong

25 July 2001