

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 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 14 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 56.

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

The directors recommend a bonus issue of new shares to be distributed to shareholders of the Company whose names appear on the register of members of the Company on 30 August 2002 in the proportion of one new share for every four existing shares held by them (the "Bonus Issue"). Based on 411,446,239 ordinary shares in issue as at 27 June 2002, a maximum of 102,861,559 new ordinary shares (the "Bonus Shares") will be issued. This recommendation has not been incorporated in the financial statements because the Bonus Issue is conditional upon the approval by shareholders at the forthcoming annual general meeting and the granting by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of and permission to deal in the Bonus Shares to be issued.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests 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 57. This summary does not form part of the audited financial statements.

FIXED ASSETS

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in note 22 to the financial statements.

CAPITAL RESOURCES

During the year, the Group, by way of a rights issue, raised HK\$62,210,000, after share issue expenses, which is intended to be utilised for the expansion of the Group's operations in the People's Republic of China (the "PRC") and for general operating funds of the Group.

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.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for distribution in cash and/or specie, computed in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$235,132,000. Under the laws of Bermuda, the Company's share premium account, in the amount of HK\$48,495,000, 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 less than 30% of the total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 40% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 14%. As far as the directors are aware, neither the directors, their associates, nor any shareholders of the Company which, to the 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 suppliers.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Mr. Ka Sing LAW

Mr. Chi Kwong TO

Ms. Irene CHEN (appointed on 3 September 2001)

Ms. Pansy Wai Man CHAU (appointed on 3 September 2001)

Mr. Simon Kuen Fung OR (appointed on 2 January 2002)

DIRECTORS *(continued)***Independent non-executive directors:**

Mr. David Sik Ho CHEUNG

Mrs. Winnie Wing Yue WONG LEUNG

In accordance with the Company's Bye-laws, Mr. Chi Kwong TO, Ms. Irene CHEN, Ms. Pansy Wai Man CHAU and Mr. Simon Kuen Fung OR will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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.

DIRECTORS' BIOGRAPHIES

Mr. Ka Sing LAW, aged 51, is the chairman and chief executive officer of the Group. Mr. Law joined the Group in 1991 and has over 22 years' experience in garment manufacturing, retailing and wholesale business. He is responsible for the overall management and strategic planning of the Group.

Mr. Chi Kwong TO, aged 40, is an executive director of the Group. Mr. To holds a Master's degree in Commerce from the University of New South Wales in Australia, and is a fellow member of the Association of Chartered Certified Accountants. He joined the Group in 1997 and has over 13 years' experience in auditing, finance and accounting. Mr. To is responsible for the overall financial management of the Group.

Ms. Irene CHEN, aged 53, was appointed as an executive director on 3 September 2001. She is responsible for product design of the Group. Ms. Chen holds a Bachelor's Degree in Design from the California State University at San Jose, the United States of America. She has over 20 years' experience in the fashion industry, and has held senior positions in store management, buying, marketing, fashion trend analysis, product design and development, both in Hong Kong and the United States of America. Ms. Chen also developed the first Fashion Retailing Curriculum for The Hong Kong Polytechnic University, and lectured in both Higher Diploma and Master's levels.

Ms. Pansy Wai Man CHAU, aged 39, was appointed as an executive director on 3 September 2001. She holds a Higher Diploma in Fashion and Clothing Technology from The Hong Kong Polytechnic University. Prior to joining the Group, Ms. Chau had over 15 years' experience in sales planning and buying in leading fashion retail chains. She is responsible for strategic product planning and buying, and for overseeing the image-building function of the Group.

DIRECTORS' BIOGRAPHIES *(continued)*

Mr. Simon Kuen Fung OR, aged 31, was appointed as an executive director on 2 January 2002. He joined the Group in 2001 and has over 8 years' experience in garment manufacturing and merchandising. Mr. Or received his Bachelor of Arts Honours Degree in Economics and Industrial Relations from the University of Toronto, Canada. He is responsible for the Group's sourcing and production activities for apparel and accessories.

Mr. David Sik Ho CHEUNG, aged 49, was appointed as an independent non-executive director in 1993. Mr. Cheung is the managing director of a consultancy firm in human potential training and executive search, and also the president of a local licensee of a California-based international firm in modern training technology in management and human potential. He has over 16 years' experience in the banking industry in Hong Kong and Canada.

Mrs. Winnie Wing Yue WONG LEUNG, aged 60, was appointed as an independent non-executive director in 1993. Mrs. Leung is the president and managing director of a number of business enterprises. She has over 32 years' experience in trading and property development in Hong Kong and the United States of America. In addition, she has been involved in stock brokerage, business consultancy and property investment and management in the PRC, including Hong Kong, for a number of years.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2002, the interests of the Company's directors in the share capital of the Company, 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:

Name of director	Nature of interests	Number of shares held
Mr. Ka Sing LAW	Personal	259,441,875

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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 or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the financial statements, no director had a beneficial interest in any contract of significance in relation to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the following individual was interested in 10% or more of the share capital of the Company as recorded in the register of interests kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Percentage of the Company's share capital
Mr. Ka Sing LAW	259,441,875	63.06

Save as disclosed above, no person had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

EMPLOYEES

As at 31 March 2002, the Group had a total of 2,528 (2001: 1,853) full-time employees. Remuneration packages, which include an element of discretionary bonus, are principally reviewed on an annual basis.

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

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

CONNECTED TRANSACTIONS

The significant connected transactions undertaken by the Group during the year are set out in note 30 to the financial statements.

The directors are of the opinion that the transactions were made in the usual and ordinary course of the Group's business, and that the terms are fair and reasonable as far as the shareholders of the Company were concerned.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 29 to the financial statements.

THE 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 (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 as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting 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 purpose 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

Ka Sing LAW

Director

Hong Kong
27 June 2002