

The directors submit their report together with the audited accounts for the year ended 31st March, 2002.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments. The Group's e-business was discontinued during the year.

An analysis of the Group's results, assets and liabilities by business and geographical segment is set out in note 2 to the accounts.

Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

	2002	2001
	%	%
Sales		
– the largest customer	39	53
– five largest customers combined	97	93
Purchases		
– the largest supplier	27	21
– five largest suppliers combined	62	46

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers as noted above.

Analysis of the Group's Performance

An analysis of the Group's performance is shown in the Chairman's Statement on pages 2 to 5.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 14.

The directors do not recommend the payment of a dividend for the year ended 31st March, 2002.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Fixed Assets

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

Report of the Directors

Share Capital

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31st March, 2002 amounted to HK\$30,658,000 (2001: HK\$41,407,000).

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 47.

Purchase, Sale or Redemption of Shares

On 27th August, 2001, 4,500,000 ordinary shares of HK\$0.10 each in the Company were repurchased by the Company at HK\$0.40 per share through The Stock Exchange of Hong Kong Limited. Another 2,000,000 ordinary shares of HK\$0.10 each in the Company were repurchased by the Company at HK\$1.42 per share through The Stock Exchange of Hong Kong Limited on 18th January, 2002. The shares repurchased, involving a total cash consideration of approximately HK\$4.6 million, have been duly cancelled.

Apart from the aforesaid, the Company has not redeemed any of its shares during the year and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Principal Subsidiaries

Details of the Company's principal subsidiaries as at 31st March, 2002 are set out in note 30 to the accounts.

Analysis of Bank Loans, Overdrafts and Other Borrowings

The Group's bank loans, overdrafts and other borrowings as at 31st March, 2002 are repayable over the following periods:

	Bank overdrafts <i>HK\$'000</i>	Trust receipt and other bank loans <i>HK\$'000</i>	Other borrowings <i>HK\$'000</i>
Within one year	26	24,041	268
In the second year	–	9,240	965
In the third to fifth year inclusive	–	4,608	–
	<u>26</u>	<u>37,889</u>	<u>1,233</u>

Directors

The directors during the year were:

Mr. Wong Tek Sun, Takson

Ms. Pang Shu Yuk, Adeline Rita

Mr. Lian Cheng Chi

Mr. Tsao Kwang Yung, Peter*

Mr. Lee Kwok Cheung*

* *independent non-executive directors*

The directors of the Company, including independent non-executive directors but excluding the Chairman, are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with clause 87 of the Company's Bye-laws.

In accordance with the Company's Bye-laws, Mr. Lee Kwok Cheung retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Directors' Service Contracts

Each of Mr. Wong Tek Sun, Takson, Ms. Pang Shu Yuk, Adeline Rita and Mr. Lian Cheng Chi, has a service contract with the Company which is determinable within one year without payment of compensation, other than statutory compensation. Apart from the aforesaid, none of the directors, including the director proposed for re-election at the forthcoming Annual General Meeting, has a service contract with the Company.

Directors and Senior Management

Biographical details of directors and senior management of the Group are shown below:

Executive Directors

Mr. Wong Tek Sun, Takson, age 51, is the Chairman and Chief Executive Officer of the Group. He received his tertiary education in the PRC before he co-founded the Group in 1972. Mr. Wong has over 25 years' experience in and in-depth knowledge of marketing in the US and European markets and of the manufacturing of outerwear garments in the PRC and Hong Kong. He is responsible for the development of corporate planning and strategy, sales and marketing and overall management of the Group.

Ms. Pang Shu Yuk, Adeline Rita, age 43, is the Deputy Chairman and Chief Operations Officer of the Group and oversees merchandising, production planning and control, and various operational and administrative matters of the Group. She holds a higher diploma in fashion and clothing technology from the Hong Kong Polytechnic University. Ms. Pang joined the Group in 1983 and is the wife of Mr. Wong Tek Sun, Takson.

Mr. Lian Cheng Chi, age 59, is responsible for the sale and marketing of the Group's products to China national product stores in Hong Kong and certain sourcing functions of the Group. He holds a degree in Chinese language from Fujian Hua Chiao University in the PRC. He joined the Group in 1974 and has extensive experience in the garment industry. He is a brother-in-law of Mr. Wong Tek Sun, Takson.

Report of the Directors

Directors and Senior Management *(continued)*

Independent Non-Executive Directors

Mr. Tsao Kwang Yung, Peter, CBE, CPM, age 68, was the former Secretary for Home Affairs of the Hong Kong Government. Mr. Tsao was appointed as the special envoy to Geneva and became the head of the Trade and Industry Departments in 1979 and 1981 respectively. In 1983, Mr. Tsao headed the Government Information Services and in 1988 he was appointed as the Secretary for Home Affairs from which post he retired in February, 1992. He is currently the Chairman of Prima Consultants Limited and a director of a number of companies in Hong Kong and the United Kingdom. He was appointed as an independent non-executive director of the Company in September, 1997.

Mr. Lee Kwok Cheung, age 53, is a director of Management Capital Limited, a company engaged in the business of direct investment and financial advisory. From 1994 to 1995, Mr. Lee was the chief executive of Polytec Holdings Limited, a textile and real estate group, and from 1991 to 1993, Giordano Holdings Limited. Mr. Lee has over eleven years' experience in banking. He was appointed as an independent non-executive director of the Company in September, 1997.

Senior Management

Ms. Wan Choi Chun, Dorothy, age 31, is the Finance Director of the Group and is also the Company Secretary. She is responsible for the financial planning and management information system of the Group. She holds a degree in business administration from the Chinese University of Hong Kong. She is a member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group in 1996, she had worked for an international accounting firm in Hong Kong for approximately four years.

Mr. Kwok Chak Man, Bernard, age 35, is the General Merchandising Manager of the Group. He holds a diploma in clothing from the Kwun Tong Technical Institute and a higher certificate in fashion and clothing manufacturing from the Hong Kong Polytechnic University. Prior to joining the Group in 1991, he had over four years' experience in the garment industry.

Ms. Law Yu Yuk, Alexandra, age 36, is the General Merchandising Manager of the Group. She holds a diploma of marketing from the Marketing Confederation Australia. Prior to joining the Group in 1993, she had over five years' experience in the garment industry.

Ms. Li Yuk Fong, Kerly, age 44, is the Operation Control Manager of the Group. She holds an international diploma in computer studies from NCC The National Centre for Information Technology in the United Kingdom and a diploma in management studies awarded jointly by the Hong Kong Polytechnic University and the Hong Kong Management Association. She is an associate member of the Hong Kong Institute of Human Resource Management. Prior to joining the Group in 1990, she had worked in the systems and control field for more than four years.

Ms. Tang Yuen Ping, Gloria, age 43, is the shipping manager of the Group. Prior to joining the Group in 1990, she had worked in the shipping field for over twelve years.

Connected Transactions

A related party transaction, which also constitutes a connected transaction under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, is as follows:

On 26th March, 2002, Takson Garment Manufacturing Company, Limited ("Takson Garment"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Run Gain Development Limited ("Run Gain"), to purchase a residential property in Shanghai, the PRC from Run Gain at a consideration of approximately HK\$2,179,000 payable in cash within 30 days from the date of the Sale and Purchase Agreement. The consideration was arrived at based on a valuation carried out by an independent certified valuer in the PRC as at 28th January, 2002. The property which has a gross floor area of 171.39 square metre will be used as quarters for employees of Takson Garment when they travel to Shanghai for business trips.

Run Gain is a company controlled and owned by a trust established for the benefit of the family members of Mr. Wong Tek Sun, Takson, a director who is also a substantial shareholder of the Company. As such, Run Gain is a connected person of the Company, as defined in the Listing Rules. Entering into the Sale and Purchase Agreement by Takson Garment and Run Gain therefore constitutes a connected transaction pursuant to the Listing Rules.

The Sale and Purchase Agreement has been entered into on normal commercial terms. The consideration for the transaction was paid in cash in April, 2002.

Directors' Interests in Contracts

Except for the directors' service contracts as mentioned above, no contracts of significance in relation to the Group's business to which the Company, its holding companies, its fellow subsidiaries, or 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.

Directors' and Chief Executives' Benefits from Rights to Acquire Shares or Debentures

At no time during the year was the Company, its holding companies, its fellow subsidiaries or its subsidiaries a party to any arrangement to enable the directors and chief executives or their spouse or children under 18 years of age of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

Directors' and Chief Executives' Interests in Shares of the Company and Associated Corporations

As at 31st March, 2002, the interests of directors, chief executives and their associates of the Company in the shares of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of director	Number of ordinary shares in the Company beneficially held				
	Personal interests	Family interests	Corporate interests	Other interests	Total interests
Wong Tek Sun, Takson	4,018,000	9,000,000	237,600,000 (Note 1)	–	250,618,000
Pang Shu Yuk, Adeline Rita	9,000,000	4,018,000	237,600,000 (Note 1)	–	250,618,000

Note:

- (1) The references to 237,600,000 shares relate to the same block of shares in the Company. Such shares are held by Takson International Holdings Limited, the entire issued share capital of which is held by Wangkin Investments Inc. ("WII") as trustee of the Wangkin Investments Unit Trust (the "Unit Trust"). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the "Family Trust"). The discretionary beneficiaries of the Family Trust are, inter alia, Ms. Pang Shu Yuk, Adeline Rita, Mr. Wong Chi Wang, Calvin, and Mr. Wong Chi Kin, Christopher.

Mr. Wong Tek Sun, Takson owns more than one-third of the issued share capital of WII and his children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, he is taken to be interested in the 237,600,000 shares in the Company under the SDI Ordinance.

Ms. Pang Shu Yuk, Adeline Rita, owns more than one-third of the issued share capital of WII and she and her children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, she is taken to be interested in the 237,600,000 shares in the Company under the SDI Ordinance.

Save as disclosed above, as at 31st March, 2002, none of the directors and chief executives (including their spouse and children under 18 years of age) had any other interests in the shares in or debentures of the Company or of any of its associated corporations (within the meaning of the SDI Ordinance) which had been entered in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

Substantial Shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that as at 31st March, 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of substantial shareholders	Number of ordinary shares held
Wangkin Investments Inc. (Note)	237,600,000
Takson International Holdings Limited (Note)	237,600,000

Substantial Shareholders *(continued)*

Note:

Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.

Save as disclosed herein, as at 31st March, 2002, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the directors and the Company's auditors in matters coming within the scope of the audit of the Group. It also reviews the effectiveness both of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Tsao Kwang Yung, Peter and Mr. Lee Kwok Cheung. Two meetings were held during the current financial year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

Management Contracts

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Compliance with the Code of Best Practice of the Listing Rules

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 ended 31st March, 2002, 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 the Annual General Meeting in accordance with the Company's Bye-laws.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Tek Sun, Takson

Chairman

Hong Kong, 17th July, 2002