

## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30th June, 2002.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and trading of garments, securities trading and dealing and investment holding.

With effect from 31st May, 2002, the Directors determined to discontinue the Group's securities dealing business.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 30th June, 2002 are set out in the consolidated income statement on page 17. The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 54.

### **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

### **RESERVES**

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

### **PROPERTY, PLANT AND EQUIPMENT**

Certain of the Group's leasehold land and buildings were revalued at 30th June, 2002. The revaluation resulted in a deficit amounting to HK\$2,170,000, which has been charged to the income statement.

During the year, the Group acquired property, plant and equipment of approximately HK\$18.5 million to expand its capacity primary in the PRC. In addition, the Group's investment properties with carrying value of HK\$3,400,000 were transferred to leasehold land and buildings during the year since the premises are now held by the Group for its own use. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

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### MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 30th June, 2002, the total turnover of the five largest customers and suppliers of the Group accounted for less than 10% of the Group's turnover and total purchases respectively.

At no time during the year did a director, an associate of a director or any shareholder (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had an interest in the share capital of any of the five largest customers or suppliers.

### DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Mr. Lau Tung Hoi (*Chairman*)

Mr. Lung Tze Lam (*Vice Chairman*)

Ms. So Wai Wai, Dorothy (*Managing Director*) (resigned on 30th July, 2001)

Mr. Tong Yat Chong

Mr. Lai Kwok Wing, Albert M.B.E.\*

Mr. Wu Wing Kit\*

Mr. Tan Giok Sie J.P.\* (resigned on 3rd January, 2002)

\* *Independent non-executive directors*

With the exception of the Chairman of the Board, all other Directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

Mr. Lai Kwok Wing, Albert M.B.E. retires in accordance with clause 87 of the Company's Bye-laws and, being eligible, offers himself for re-election.

The term of office of each non-executive Director is the period up to his retirement by rotation in accordance with the above clause.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SHARES

At 30th June, 2002, the interest of the Directors and their associates in the share capital of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company were as follows:

Name of Directors	Number of shares	
	Other Interests	Personal Interests
Lau Tung Hoi ( <i>Note 1</i> )	815,360,000	–
Lung Tze Lam ( <i>Note 2</i> )	815,360,000	–
Tong Yat Chong	–	370,000

*Notes:*

1. These shares are held by Linwood Services Ltd. ("Linwood"), 32 shares of Linwood (representing two-third of the entire share capital of Linwood) are owned by Money Belt Worldwide Limited ("Money Belt"). Money Belt is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by HSBC International Trustee Limited ("HSBC Trustee") as trustee of a discretionary trust, the discretionary objects of which include Mr. Lau Tung Hoi and his family members.
2. These shares are held by Linwood, 8 shares of Linwood (representing one-sixth of the entire issued share capital of Linwood) are beneficially owned by Mr. Lung Tze Lam.

Save as disclosed above, none of the Directors or their associates had any interests in any securities of the Company or any of its associated corporations.

### SHARE OPTIONS

The Company's share option scheme ("the Scheme") was adopted pursuant to a resolution passed on 30th October, 1995 for the primary purpose of providing incentives to directors and eligible employees and will expire on 30th October, 2005. Under the Scheme, the Board of Directors of the Company may at their discretion grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company from time to time. The maximum number of shares, which may be granted under the Scheme, shall not exceed 10% of the nominal amount of the share of the Company in issue at any point in time, excluding the shares issued pursuant to the Scheme.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 2.5% of shares of the Company in issue at any point in time. Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per each grant of the share option. Options may be exercised at any time from a period of 3 years commencing on the expiry of 1 year from the date of grant of the share option or the 10th anniversary of the Scheme, whichever the earlier.

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The subscription price of the share option is determined by the Board of the Directors of the Company, and the amount will not be less than the higher of 80% of the average closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant or the nominal value of the shares.

No options under the Scheme were granted or exercised since the adoption of the Scheme and no options were outstanding as at 30th June, 2002.

### **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

Other than as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance to which the Company, its holding company or any of 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.

### **SUBSTANTIAL SHAREHOLDERS**

As at 30th June, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, apart from the interests disclosed above in respect of Messrs. Lau Tung Hoi and Lung Tze Lam, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2002.

### **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.

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

Apart from the particulars of the repurchases of own shares by the Company as set out in note 22 to the financial statements, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 30th June, 2002 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **AUDITORS**

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**LAU TUNG HOI**

*Chairman*

Hong Kong, 9th September, 2002