

The directors submit herewith their annual report together with the audited financial statements for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing, retailing and distribution of apparel.

An analysis of the Group's revenue and contribution to results by geographical area of operations for the financial year is set out in note 3 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2002 are set out in note 15 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 30 June 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 17 to 53.

DIVIDENDS AND RESERVES

The directors do not recommend the payment of a dividend (2001: HK\$Nil) for the year ended 30 June 2002.

Movements in reserves during the year are set out in note 22 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers combined did not exceed 30 per cent of the Group's total turnover for the year ended 30 June 2002.

The Group's five largest suppliers combined did not exceed 30 per cent of the Group's total purchases for the year ended 30 June 2002.

CHARITABLE DONATIONS

No donation was made by the Group during the year (2001: HK\$Nil).

FIXED ASSETS

Additions to the Group's fixed assets for the year amounted to HK\$8,193,000 (2001: HK\$12,948,000). Details of additions to and other movements of fixed assets during the year are set out in note 11 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 30 June 2002 are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements of share capital of the Company during the year are set out in note 21 to the financial statements. Shares were issued during the year to raise funds for repayment of the Group's bank loans and general working capital of the Group.

DIRECTORS

The directors during the financial year and up to date of this report were:

Executive directors

- Tan Sim Chew, *Chairman*
- Chen Miao Zhu, *Managing Director*
- Fu Zi Cong
- Lo King Fat, *Lawrence*

Independent non-executive directors

- Wong Kwai Sang, *Kays* (appointed on 3 July 2002)
- Tsang Chun Pong (appointed on 20 July 2002)
- Yeung Chi Wai, *Jason* (resigned on 3 July 2002)
- Yu Chor Woon, *Carol* (resigned on 20 July 2002)

In accordance with the Company's Articles of Association, Lo King Fat, Lawrence, Wong Kwai Sang, Kays and Tsang Chun Pong shall retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of directors are set out in pages 8 to 9.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The service contracts of the existing independent non-executive directors, Wong Kwai Sang, Kays and Tsang Chun Pong, cover a term of 3 years commencing on 3 July 2002 and 20 July 2002 respectively. Their remuneration is determined by the board of directors on the anniversary of the date of their appointment.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The directors of the Company who held office at 30 June 2002 had the following interests in the issued share capital of the Company (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

	Ordinary shares of HK\$0.01 each	
	Personal interest	Corporate interest
Tan Sim Chew	99,670,226	71,515,000*
Chen Miao Zhu	6,500,000	71,515,000*
Fu Zi Cong	574,000	—

* These 71,515,000 shares are owned by Crimson International Limited. Tan Sim Chew and Chen Miao Zhu are beneficial shareholders of 60 per cent and 40 per cent respectively of the issued share capital of Crimson International Limited.

Pursuant to a written resolution passed on 5 May 1997, a share option scheme ("Share Option Scheme") for employees was approved and the directors may, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board which will not be less than 80 per cent of the average closing prices of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher. To comply with the relevant new rules of the Stock Exchange, which came into effect on 1 September 2001, options will be granted in the future at a price determined by the Board which will be the higher of

- (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted (together with shares in respect of which any options remain outstanding) under the Share Option Scheme of the Company may not exceed 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Share Option Scheme.

No option may be granted to any one employee which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and remaining issuable to him or her under the Share Option Scheme, would exceed 25 per cent of the aggregate number of Shares for the time being issued and are issuable under the Share Option Scheme. To comply with the relevant new listing rules of Stock Exchange, unless approved by shareholders in the manner set out in the listing rules, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES *(Continued)*

The exercisable period of an option should not exceed a period of three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three year period.

The Share Option Scheme will remain in force for a period of 10 years commencing on 5 May 1997.

At 30 June 2002, the following persons, being the directors and a senior executive, had the following personal interests in options to subscribe for shares of the Company which were granted at nominal consideration. Each share option entitles the holder to subscribe for one share of HK\$0.01 each in the Company.

Directors	No. of options outstanding at 1 July 2001 and 30 June 2002	Date granted	Period during which options are exercisable	Subscription price per share HK\$
Tan Sim Chew	6,611,000	23 February 2000	23 August 2000 to 22 August 2003	0.4496
	2,700,000	31 January 2001	31 July 2001 to 30 July 2004	0.16
Chen Miao Zhu	6,611,000	23 February 2000	23 August 2000 to 22 August 2003	0.4496
	2,700,000	31 January 2001	31 July 2001 to 30 July 2004	0.16
Lo King Fat, Lawrence	1,900,000	31 January 2001	31 July 2001 to 30 July 2004	0.16
Fu Zi Cong	6,611,000	23 February 2000	23 August 2000 to 22 August 2003	0.4496
	2,500,000	31 January 2001	31 July 2001 to 30 July 2004	0.16
Senior Executive				
Chan Yiu Kuen, Holfred	1,400,000	31 January 2001	31 July 2001 to 30 July 2004	0.16

No share option was granted, exercised, cancelled or lapsed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES *(Continued)*

Save as disclosed herein and for shares in subsidiaries held by directors in trust for their immediate holding companies, as at 30 June 2002, none of the directors or chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) ("SDI Ordinance") as recorded in the register required to be kept under section 29 of the SDI Ordinance.

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 directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2002, according to the register of interests kept by the Company under section 16(1) of the SDI Ordinance, the shareholders who were interested in 10 per cent or more of the share capital of the Company are as follows:

	Ordinary shares held	Percentage of total issued shares
Tan Sim Chew	171,185,226 <i>(note)</i>	17.80

Note: These shares include 71,515,000 shares owned by Crimson International Limited. Tan Sim Chew and Chen Miao Zhu are beneficial shareholders of 60 per cent and 40 per cent respectively of the issued share capital of Crimson International Limited.

DIRECTORS' INTERESTS IN CONTRACTS

As at 30 June 2002, the Group had bank loans totalling HK\$2,554,000 (2001: HK\$3,774,000) secured by the personal properties in the People's Republic of China ("PRC") owned by Chen Miao Zhu.

Except for the above, no other contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

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

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

FIVE YEAR 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 54 of the annual report.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under Companies Law in the Cayman Islands.

PENSION SCHEMES

The Group joins the Mandatory Provident Fund scheme for its employees in Hong Kong, under which the Group is required to make contributions at 5 per cent of the relevant Hong Kong employees' salaries to the scheme.

Contributions during the year totalled approximately HK\$58,000 (2001: HK\$32,000).

All PRC employees of the Group were recruited via the Xiamen Labour Services Company ("XLSC"). According to the terms of contracts, the Group is required to pay approximately HK\$28 per month for each employee to XLSC. In return, XLSC undertakes the responsibility of the retirement benefits payable to these employees. The Group does not have any liability to retirement benefits of PRC employees other than the monthly payment to XLSC. Contributions paid to XLSC in respect of retirement benefits of PRC employees during the year ended 30 June 2002 totalled approximately HK\$329,000 (2001: HK\$269,000).

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company set up an audit committee ("Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors.

AUDITORS

During the year, KPMG resigned and BDO International were appointed auditors of the Company. Accordingly, a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO International as auditors of the Company.

By order of the Board

Tan Sim Chew

Chairman

Hong Kong, 11 October, 2002