

# Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2002.

## Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 14 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the financial statements.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 18.

The Directors do not recommend the payment of a dividend.

## Reserves

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

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$1,027,000.

## Fixed Assets

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

## Share Capital

Particulars of the share capital of the Company are set out in note 21 to the financial statements.

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## Distributable Reserves

Distributable reserves of the Company at 31 December 2002 amounted to HK\$27,698,000 (2001: HK\$27,762,000). Under Section 34 of the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution shall be paid to shareholders out of the share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

## 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 58.

## Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## Share Options

Share option scheme (the "Scheme") was adopted by the shareholders of the Company by way of written resolution passed on 29 December 2000. Details of the Scheme are as follows:

### (a) Purpose of the Scheme

The Directors believe that the Scheme will assist in the recruitment and retention of high calibre executives and employees.

### (b) Participants

The Directors may, at their discretion, invite full-time employees of the Group, including full-time Executive Directors of the Group, to take up options to subscribe for ordinary shares of HK\$0.1 each ("Shares") in the share capital of the Company at a price calculated in accordance with paragraph (f) below. HK\$1.00 is payable by the grantee of an option upon the acceptance by him of the grant of an option.

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## (c) Maximum number of Shares

The maximum number of Shares subject to the Scheme shall not (when aggregated with any securities subject to any other share option schemes of the Company and/or its subsidiaries including those which have been granted and accepted but which have been cancelled (the “Cancelled Shares”)) exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose Shares allotted and issued upon the exercise of options granted under the Scheme.

As at 31 December 2002, no share options were granted under the Scheme.

## (d) Maximum number of options to any one individual

No options may be granted to any one person which if exercised in full would result in the total number of Shares already issued and issuable to him under the Scheme together with the Cancelled Shares exceeding 25% of the maximum aggregate number of Shares for the time being issued or issuable under the Scheme at the time of the proposed grantee of that option.

## (e) Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during the period commencing immediately on the date which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the Board of Directors to each grantee, but in any event not later than 10 years from the date of grant.

## (f) Basis of determining the exercise price

The exercise price for the Shares under the Scheme may be determined by the Board of Directors in its absolute discretion but in any event will not be less than 80% of the average of the official closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of the grant of the option or the nominal value of the Shares, whichever is the greater.

## (g) Period of the Scheme

The Scheme shall be valid and effective for a period of 10 years commencing 29 December 2000, being the date the Company conditionally adopted the Scheme by ordinary resolution. The Company may, by ordinary resolution in general meeting or the Board of Directors may determine the Scheme at any time.

# Report of the Directors

## Directors

The Directors during the year were:

Mr. Wong Chor Wo

Ms. Rosita Andres

Mr. Wong Chor Sang

Mr. Po, Eric

Mr. Kwok Kee Ho, Danny

Mr. Chan Sheung Kwan \*

Mr. Chan Sze Shing, Leo \* (Resigned on 4 June 2002)

Mr. Wong Tin Sang, Patrick \* (Appointed on 4 June 2002)

\* *Independent Non-executive Directors*

In accordance with Article 116 of the Company's Articles of Association, Mr. Wong Chor Sang and Mr. Wong Tin Sang, Patrick retire at the forthcoming Annual General Meeting but, being eligible, offer themselves for re-election.

## Directors' Service Contracts

Each of the Executive Directors has entered into a Director's Service Contract with the Company for a term of 2 years beginning on 16 January 2001. The Director's Service Contracts were renewed on 15 January 2003 for a term of 3 years. The contracts may be terminated by either party thereto giving to the other 3 months' prior notice in writing.

The five Executive Directors together are entitled to a fixed salary of HK\$2,556,000 per annum in aggregate and any further performance related bonus shall be determined by the Company having regard to the operating results of the Group provided that the total sum of any performance related bonus payable to all the Directors in respect of any financial year shall not exceed 5% of the audited consolidated net profit after taxation of the Group in respect of the same financial year.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

# Report of the Directors

## Biographical Details of Directors and Senior Management

### *Executive Directors*

Mr. Wong Chor Wo, aged 53, is the Chairman of the Company and the founder of the Group. Mr. Wong has over 30 years' experience in the handbag industry. He is responsible for formulating the overall business strategies and plans of the Group. He also oversees the finance and product development of the Group. Mr. Wong was appointed as a vice chairman to the Returned Overseas Chinese Association of Sichuan Province, a committee member of the Sichuan Chinese Overseas Friendship Association, All-China Federation of Returned Overseas Chinese Committee Member, and a committee member of Jiangxi Province Committee of The Chinese People's Political Consultative Conference in March 2003, May 2000, March 2001, January 2003 respectively.

Mr. Wong Chor Sang, aged 47, is an Executive Director and the Vice-Chairman of the Company. He joined the Group in September 1987 and is in charge of the purchasing of raw materials and subcontracting business. He assists Mr. Wong, the Chairman of the Company, in the day-to-day affairs of the Group. Mr. Wong Chor Sang has over 27 years' experience in the handbag industry. He is the brother of Mr. Wong.

Mr. Po, Eric, aged 33, is an Executive Director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Po joined the Group in April 2000 and is responsible for the financial control and management of the Group. He has over eight years' experience in auditing and corporate finance. Mr. Po graduated from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) with a Bachelor of Arts (Honours) degree in Business Studies. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. Kwok Kee Ho, Danny, aged 35, is an Executive Director and the production manager of the Company. He has over eight years' experience in the handbag industry. Mr. Kwok joined the Group in May 1995 and has substantial experience in factory operations and management. He mainly stations at the Hui Zhou factory and is responsible for the overall management and planning of the Group's production facilities in the PRC.

Ms. Rosita Andres, aged 50, is an Executive Director. Ms. Andres has over 22 years' experience in the handbag industry. She joined the Group in September 1987 and is presently responsible for the overall management and daily operations of the Company. Ms. Andres is the spouse of Mr. Wong, the Chairman of the Company.

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## ***Independent Non-executive Directors***

Mr. Chan Sheung Kwan, aged 39, is a Non-executive Director. He is a fellow member of the Hong Kong Society of Accountants and Chartered Financial Analyst. He holds a Bachelor of Social Science degree from the University of Hong Kong and a Master of Business Administration degree from the University of Birmingham. He has over 14 years' diversified experience in banking, auditing and accounting.

Mr. Wong Tin Sang, Patrick, aged 70, is a Non-executive Director. He is a retired banker. Mr. Wong has over 40 years' experience in the banking industry and had held senior positions in major banking institutions. His last position was a business adviser in the corporate banking group at a local bank. Mr. Wong is also an independent non-executive director of another listed company which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

## ***Senior management***

Ms. Chan Siu Ling, aged 33, is the sales and purchasing manager of the Group. Ms. Chan has over 15 years' experience in the sales and marketing of handbags and related products. Ms. Chan joined the Group in November 1992. She is responsible for the sales and marketing of the Group's handbag business in the US, Japan and Europe.

Ms. Chiu Wan Yee, Wendy, aged 39, is the personnel and administration manager of the Group. Ms. Chiu joined the Group in October 1994 and has over 12 years' experience in administration. She is responsible for the general administration and personnel activities within the Group.

Mr. Tse Siu Yung, Simon, aged 36, is the merchandising manager of the Group. Mr. Tse graduated from the Bunka Fashion College in Japan with a Certificate in Fashion. He has over 10 years' experience in the handbag industry. Mr. Tse joined the Group in April 1999 and is responsible for the sales of handbags in Japan, the US and Europe.

## **Directors' Interests in Contracts**

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company 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.

## **Connected Transactions**

No disclosable connected transactions were entered into by the Group under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

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## Directors' Interests in Equity or Debt Securities

At 31 December 2002, the interests of the Directors and chief executive in the shares, warrants and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as notified to the Company were as follows:

	Number of ordinary shares of HK\$0.1 each in the Company		
	Family interests	Corporate interests	Total
Mr. Wong Chor Wo	15,000,000 (note 1)	135,000,000 (note 3)	150,000,000
Ms. Rosita Andres	135,000,000 (note 2)	15,000,000 (note 4)	150,000,000

### Notes:

- (1) These shares are ultimately beneficially owned by Ms. Rosita Andres, the spouse of Mr. Wong Chor Wo.
- (2) These shares are ultimately beneficially owned by Mr. Wong Chor Wo, the spouse of Ms. Rosita Andres.
- (3) These shares are registered in the name of Wisechoice Assets Limited, the entire issued share capital of which is held by Mr. Wong Chor Wo.
- (4) The shares are registered in the name of Accuport Developments Limited, the entire issued share capital of which is held by Ms. Rosita Andres.

Apart from the above, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial Shareholders

At 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the Directors and chief executive as disclosed above.

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## Management Contracts

No contracts 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.

## Major Customers and Suppliers

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

### Purchases

- the largest supplier	43%
- five largest suppliers combined	64%

### Sales

- the largest customer	29%
- five largest customers combined	65%

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 suppliers or customers noted above.

## Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## 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 Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation.

Mr. Chan Sze Shing, Leo ceased to be a member of the Audit Committee of the Company on 4 June 2002 subsequent to his resignation as an Independent Non-executive Director. Mr. Wong Tin Sang, Patrick was appointed to fill the vacancy. The Committee currently comprises two Independent Non-Executive Directors, namely Mr. Chan Sheung Kwan and Mr. Wong Tin Sang, Patrick. Two meetings were held during the current financial year.



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## **Directors' Interest in Competing Business**

None of the Directors of the Company had interest in a business which competes or may compete with the business of the Group.

## **Pre-Emptive Rights**

There is no provision for pre-emptive rights under the Company's Memorandum of Association and there are no restrictions against such rights under the laws in the Cayman Islands.

## **Auditors**

At the annual general meeting of the Company held on 30 May 2002, PricewaterhouseCoopers retired as auditors of the Company and did not seek for re-election. On 16 July 2002, RSM Nelson Wheeler were appointed as auditors of the Company to fill the casual vacancy.

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board

**WONG Chor Wo**  
*Chairman*

16 April 2003