

# 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 2003.

## 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.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 58.

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

## 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, extracted from the audited financial statements and reclassified as appropriate, is set out on page 59. This summary does not form part of the audited financial statements.

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## 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 therefor, are set out in note 22 to the financial statements.

## CAPITAL RESOURCES

In March 2002, the Group, by way of a rights issue, raised HK\$62,210,000, after share issue expenses. Of this, approximately HK\$50,210,000 has been utilised for the expansion of the Group's operations in Mainland China, while HK\$12,000,000 has been utilised as general working capital for 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 and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK\$158,652,000. Under the laws of Bermuda, the Company's share premium account, in the amount of HK\$38,209,000, 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 41% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 11%. 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:

### Executive directors:

Mr. Ka Sing LAW

Mr. Chi Kwong TO

Ms. Pansy Wai Man CHAU

Mr. Simon Kuen Fung OR

Mr. Ping Chuen FUNG *(appointed on 31 August 2002)*

Ms. Irene CHEN *(resigned on 1 November 2002)*

## **DIRECTORS** *(continued)*

### **Independent non-executive directors:**

Mr. David Sik Ho CHEUNG

Mrs. Winnie Wing Yue WONG LEUNG

Subsequent to the balance sheet date, on 15 May 2003, Mr. Dickie Shing Kwan FU was appointed as an executive director of the Company.

In accordance with the Company's bye-laws, Mr. David Sik Ho CHEUNG, Mrs. Winnie Wing Yue WONG LEUNG, Mr. Ping Chuen FUNG and Mr. Dickie Shing Kwan FU will retire by rotation and, being eligible, will 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 52, is the chairman and chief executive officer of the Group. Mr. Law joined the Group in 1991 and has over 23 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 41, 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 14 years' experience in auditing, finance and accounting. Mr. To is responsible for the overall financial management and internal audit function of the Group.

**Ms. Pansy Wai Man CHAU**, aged 40, is an executive director of the Group. She holds a Higher Diploma in Fashion and Clothing Technology from the Hong Kong Polytechnic. Ms. Chau joined the Group in 2001 and has over 16 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 design function of the Group.

## DIRECTORS' BIOGRAPHIES *(continued)*

**Mr. Simon Kuen Fung OR**, aged 32, is an executive director of the Group. He joined the Group in 2001 and has over 9 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. Ping Chuen FUNG**, aged 43, was appointed as an executive director on 31 August 2002. He is responsible for the overall human resources and information technology management. Mr. Fung holds a Bachelor's Degree in Sociology from the Hong Kong Baptist College and a Master's Degree in Business Administration from the Asia International Open University, Macau. He is a member of the Hong Kong Institute of Human Resources Management. Prior to joining the Group, Mr. Fung had over 15 years' experience in the field of human resources management and is a practitioner and trainer in knowledge management and organisational learning practices. Over the years, he has also led initiatives in information security management.

**Mr. Dickie Shing Kwan FU**, aged 53, was appointed as an executive director on 15 May 2003. Mr. Fu joined the Group in 2003 and also holds the position of General Manager of the Group's retail operations in Mainland China. Prior to joining the Group, Mr. Fu had over 30 years' experience in the banking industry, and has held senior management positions with a number of international banks in the areas of internal audit, business operations and general management. He has also led initiatives in business process re-engineering and cost management in the past few years.

**Mr. David Sik Ho CHEUNG**, aged 51, is an independent non-executive director of the Group. Mr. Cheung is the managing director of a consultancy firm specialising in human potential training and executive search, and is also the president of a local licensee of a California-based international firm specialising 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 61, is an independent non-executive director of the Group. Mrs. Leung is the president and managing director of a number of business enterprises. She has over 33 years' experience in trading and property development in Hong Kong and in the United States of America. In addition, she has been involved in stock brokerage, business consultancy and property investment and management in Hong Kong and Mainland China for a number of years.

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, 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	324,302,343

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 OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS

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

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following individual was interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Percentage of the Company's issued share capital
Mr. Ka Sing LAW	324,302,343	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 pursuant to Section 16(1) of the SDI Ordinance.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed 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 of Hong Kong Limited 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**  
*Chairman*

Hong Kong  
26 June 2003