



# Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2004.

## 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 22.

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 24 to the financial statements.

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$604,000.

## 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 23 to the financial statements.

## Distributable Reserves

At 31 December 2004, the Company had no reserves available for distribution (2003: HK\$27,588,000).

## 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 63.

## 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

A 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.

### *(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.

At 31 December 2004, 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 daily quotation sheets of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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.



# Report of the Directors

## *(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 at any time terminate the Scheme.

## Directors

The Directors during the year were:

### *Executive Directors*

Mr. Wong Chor Sang	
Mr. Kwok Kee Ho, Danny	
Mr. Chan Wai Kin, Benito	(appointed on 25 January 2005)
Mr. Tse Chung Sing, Eddie	(appointed on 25 January 2005)
Mr. Wong Chor Wo	(resigned on 21 February 2005)
Ms. Rosita Andres	(resigned on 21 February 2005)
Mr. Po, Eric	(resigned on 25 November 2004)

### *Independent Non-executive Directors*

Mr. Chan Sheung Kwan	
Mr. Yang Xi	(appointed on 31 August 2004)
Mr. Yue Kwai Wa, Ken	(appointed on 25 January 2005)
Mr. Wong Tin Sang, Patrick	(resigned on 29 November 2004)

In accordance with Article 116 of the Company's Articles of Association, Mr. Kwok Kee Ho, Danny will retire as Director by rotation, and pursuant to Article 99, Mr. Yang Xi, who was appointed on 31 August 2004 and Mr. Chan Wai Kin, Benito, Mr. Tse Chung Sing and Mr. Yue Kwai Wa, Ken, who were appointed on 25 January 2005 will retire as Directors. All of Mr. Kwok, Mr. Yang, Mr. Chan, Mr. Tse and Mr. Yue are eligible and offer themselves for re-election as Directors at the Annual General Meeting.

## Directors' Service Contracts

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.



## Biographical Details of Directors and Senior Management

### *Executive Directors*

**Mr. Wong Chor Sang**, aged 49, is 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 is responsible for the day-to-day affairs of the Group. Mr. Wong Chor Sang has over 29 years' experience in the handbag industry.

**Mr. Kwok Kee Ho, Danny**, aged 37, is the production manager of the Company. He has over ten years' experience in the handbag industry. Mr. Kwok joined the Group in May 1995 and has substantial experience in factory operations and management. He is mainly stationed at the Hui Zhou factory and is responsible for the overall management and planning of the Group's production facilities in the PRC.

**Mr. Chan Wai Kin, Benito**, aged 37, obtained his Bachelor of International Trading degree from Chung Yuen Christian University. He has worked as a manager in the China division of the Company since 2001. He oversees all of the Group's business in the People's Republic of China (the "PRC") excluding the export division. He has over 14 years' experience in merchandising products in the leather industry. He was introduced to the Group through a customer of the Group.

**Mr. Tse Chung Sing, Eddie**, aged 50, has been in the handbag business for over 18 years. He began his career as a marketing manager with Effectual Products Manufacturing Limited. Thereafter he obtained experience as a marketing manager with Worldview Handbag Manufacturing Co., Ltd. and the Group. He has been a marketing manager of the Group since 2002. He is a director and a shareholder of Eastway Corporation Limited, a 51% owned subsidiary of the Group.



# Report of the Directors

## *Independent Non-executive Directors*

**Mr. Chan Sheung Kwan**, aged 41, a fellow member of the Hong Kong Institute of Certified Public Accountants and a 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 16 years' diversified experience in banking, auditing and accounting.

**Mr. Yang Xi**, aged 40, graduated from Xiamen University, the PRC in 1986 majoring in international law. He has been a full time lawyer in the PRC since 1993. Mr. Yang has, since 1995, been a partner of Yangxi Law Firm, the PRC. He is the vice-president of Jiangxi Provincial Lawyer Association, vice-president of Jiujiang Municipal Lawyer Association, deputy to the Jiujiang Municipal People's Congress, member of Jiujiang Municipal People's Congress Judicial Committee, standing member of Jiujiang Chamber of Commerce, visiting professor of jurisprudence college in Jiujiang University, member of China Intellectual Property Association and member of China Trademark Association.

**Mr. Yue Kwai Wa, Ken**, aged 38, is a director of WinKas Company Limited, a financial and management consultancy services company in Hong Kong and an independent non-executive director of Byford International Limited and Loulan Holdings Limited, both companies listed on the Growth Enterprise Market of the Stock Exchange. Prior to joining WinKas Company Limited, Mr. Yue worked in Dao Heng Securities Limited in various roles including compliance and finance between 1998 and 2002. Mr. Yue also worked at the Regulation Division of the Stock Exchange from June to September 1998 and worked in the accounting and audit field from 1993 to 1997. Mr. Yue is a member of the Hong Kong Securities and Institute and an associate member of the American Institute of Certified Public Accountants.

## *Senior management*

**Ms. Chan Siu Ling**, aged 35, is the sales and purchasing manager of the Group. Ms. Chan has over 17 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 41, is the personnel and administration manager of the Group. Ms. Chiu joined the Group in October 1994 and has over 14 years' experience in administration. She is responsible for the general administration and personnel activities within the Group.

## 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").



## Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations

At 31 December 2004, the interests of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or 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 – long position	15,000,000 (note 1)	135,000,000 (note 3)	150,000,000
Ms. Rosita Andres – long position	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) These 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, the Directors and chief executives (including their spouse and children under 18 years of age) have any interest in, or were granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries, its associated company or its holding company a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.





# Report of the Directors

## Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company

At 31 December 2004, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

## 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	33%
– five largest suppliers combined	69%

### Sales

– the largest customer	16%
– five largest customers combined	58%

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 Institute of Certified Public 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. The Committee comprises three Independent Non-executive Directors, namely Mr. Chan Sheung Kwan, Mr. Yang Xi and Mr. Yue Kwai Wa, Ken. Two meetings were held during the current financial year.



# Report of the Directors

## Directors' Interests 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.

## Events after the Balance Sheet Date

Details of events after the balance sheet date are set out in note 28 to the financial statements.

## Auditors

The financial statements for the financial year ended 31 December 2001 were audited by PricewaterhouseCoopers. The financial statements for the three financial years ended 31 December 2002, 2003 and 2004 were audited by RSM Nelson Wheeler.

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

**Tse Chung Sing**

*Executive Director*

28 April 2005