

## RECOGNITION

The Group has participated in the Hong Kong New Fashion Collection Award 2002 organised by Hong Kong Trade Development Council on 8 July 2002. The Group has won the prize of "Award for Marketability", which once again proved the recognition from the industry on the creativity and design of *MOISELLE*.

## FINANCIAL POSITION

The Group adopts a prudent financial policy such that it can meet the financial obligations when they fall due and maintain a sufficient operating fund for the development of the Group's business. At the end of the financial period, the Group's aggregate fixed deposits and cash balances amounted to HK\$59 million (31 March 2002: HK\$58 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK\$69 million (31 March 2002: HK\$59 million) with various banks, of which HK\$6 million (31 March 2002: HK\$3 million) has been utilised as at 30 September 2002.

The Group continues to enjoy healthy financial position. As at 30 September 2002, the current ratio (current assets divided by current liabilities) was 4.1 times (31 March 2002: 4.2 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was 29.9% (31 March 2002: 31.6%).

### Charge on assets

As at 30 September 2002, investment properties and leasehold land and buildings with a carrying value of approximately HK\$49,992,000 (31 March 2002: HK\$47,419,000) were pledged to secure banking facilities granted to the Group.

### Contingent liabilities

As at 30 September 2002, the Company had contingent liabilities in relation to guarantees given to banks against mortgage loans and facilities extended to certain wholly owned subsidiaries amounting to HK\$39,471,000 (31 March 2002: HK\$38,866,000). In addition, the Company also had outstanding guarantees given to landlords under lease agreements entered into by certain wholly owned subsidiaries amounting to HK\$1,482,000 (31 March 2002: HK\$1,410,000).

## USE OF PROCEEDS

The Group raised approximately HK\$59 million, net of related expenses, from the issue of 70,000,000 new shares of the Company at HK\$1.00 per share in February 2002. Further to the annual report of the year ended 31 March 2002, during the six months ended 30 September 2002, the directors have applied additional net proceeds as follows:

- as to approximately HK\$7.3 million for the development and expansion of the Group's operations in the People's Republic of China;
- as to approximately HK\$12.2 million for the design, development and promotion of the *MOISELLE* and *moi* products and for the expansion and renovation of *MOISELLE* stores in Hong Kong;
- as to approximately HK\$5.3 million for the design, development and promotion of the *imaroon* and *M.kids* products and for the expansion of the sales networks thereof in Hong Kong;
- as to approximately HK\$2.75 million for the development of the Group's overseas operations such as the Asia Pacific region and Europe;
- as to approximately HK\$2.5 million for the establishment of the Group's own production facilities in the PRC; and
- as to approximately HK\$2.5 million as general working capital of the Group.

The remaining net proceeds is currently placed on short term deposits with banks in Hong Kong.

## EMPLOYEE

As at 30 September 2002, the Group employed 539 staff in Hong Kong and the PRC. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, statutory insurance cover, training programmes and a share option scheme.

## OTHER INFORMATION

### DIRECTORS

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

#### Executive directors

Mr. Chan Yum Kit

Ms. Tsui How Kiu, Shirley

Mr. Chui Hing Yee

Mr. Chan Sze Chun

Ms. Kwan Kit Bing ("Ms. Kwan") *(resigned on 11 July 2002)*

#### Independent non-executive directors

Mr. Ng Wai Cheong ("Mr. Ng")

Mr. Chan Sui Mou

Ms. Yu Yuk Ying, Vivian

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR DEBENTURES

The directors and chief executive of the Company who held office at 30 September 2002 had the following interests in the issued share capital of the Company:

Director	Number of shares held	Type of interest
Mr. Chan Yum Kit	210,000,000	Corporate/Family <i>(notes 1 and 2)</i>
Ms. Tsui How Kiu, Shirley	210,000,000	Corporate/Family <i>(notes 1 and 2)</i>
Ms. Yu Yuk Ying, Vivian	110,000	Personal

*Notes:*

1. These shares are held by Super Result Consultants Limited ("Super Result"). The share capital of Super Result is beneficially owned by Mr. Chan Yum Kit ("Mr. Chan"), Ms. Tsui How Kiu, Shirley ("Ms. Tsui") and Mr. Chui Hing Yee as to 46.7%, 46.7% and 6.6% respectively. Each of Mr. Chan and Ms. Tsui will therefore be deemed to be interested in the 210,000,000 shares held by Super Result as corporate interest.
2. Since Mr. Chan and Ms. Tsui are married to the other, Mr. Chan will be deemed to be interested in the shares which Ms. Tsui will be deemed to be interested in as family interest and vice versa.

In addition to the above, certain director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the group solely for the purpose of complying with the minimum company membership requirements of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution or winding up in a subsidiary.

Save as disclosed above, as at 30 September 2002, none of the directors or the chief executive of the Company or their respective associates had any interests in the equity or debt securities of the Company or any of its associated corporations as defined by the Securities (Disclosure of Interests) Ordinance.

Save as disclosed in the section "Share Options" below, at no time during the six months ended 30 September 2002 was the Company, any of its holding company, subsidiaries or fellow 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.

## SHARE OPTIONS

Pursuant to the share option scheme adopted on 25 January 2002, the Company has granted certain directors and employees of the Company and other participants options to subscribe for shares of the Company on 2 April 2002. Details of the grant of share options and a summary of the movements of the outstanding share options during the six months ended 30 September 2002 are set out below.

Eligible person	Number of Share Options					Exercise price per share	Date of grant	Exercisable period
	Balance as at 01/04/2002	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 30/09/2002			
						HK\$	(DD/MM/YYYY)	(DD/MM/YYYY)
Mr. Chan Director	-	2,100,000	-	-	2,100,000	1.15	02/04/2002	23/04/2002-01/04/2012
Ms. Tsui Director	-	2,100,000	-	-	2,100,000	1.15	02/04/2002	23/04/2002-01/04/2012
Chui Hing Yee Director	-	500,000	-	-	500,000	1.15	02/04/2002	23/04/2002-01/04/2012
Chan Sze Chun Director	-	900,000	-	-	900,000	1.15	02/04/2002	23/04/2002-01/04/2012
Mr. Ng Director	-	100,000	-	-	100,000	1.15	02/04/2002	23/04/2002-01/04/2012
Chan Sui Mou Director	-	100,000	-	-	100,000	1.15	02/04/2002	23/04/2002-01/04/2012
Yu Yuk Ying, Vivian Director	-	100,000	-	-	100,000	1.15	02/04/2002	23/04/2002-01/04/2012
Cha Edna Mr. Ng's associate	-	100,000	-	-	100,000	1.15	02/04/2002	23/04/2002-01/04/2012

**SHARE OPTIONS** *(Continued)*

Eligible person	Number of Share Options				Balance as at 30/09/2002	Exercise price per share	Date of grant	Exercisable period
	Balance as at 01/04/2002	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period				
Woodhouse Charles Rudiger Ms. Kwan's associate	-	500,000	-	-	500,000	HK\$ 1.15	02/04/2002	23/04/2002- 01/04/2012
Continuous contract employees in aggregate	-	1,870,000	-	40,000	1,830,000	1.15	02/04/2002	02/04/2003- 01/04/2012
Other participant	-	500,000	500,000	-	-	1.15	02/04/2002	23/04/2002- 01/04/2012
	-	8,870,000	500,000	40,000	8,330,000			

*Notes:*

- The closing price of the shares immediately before 2 April 2002 on which the options were granted is HK\$1.14.
- The weighted average closing price of the shares immediately before the dates of exercise is HK\$1.85 regarding the options exercised by the other participant.

**Valuation of share options**

The share options granted are not recognised in the financial statements until they are exercised. The fair value per share option granted during the six months ended 30 September 2002 is approximately HK\$0.5. The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate:	5.89 percent, being the approximate yield of 10-year Exchange Fund Note on the grant date
Expected dividend:	expected dividend yield of 4.0 percent
Expected volatility:	52 percent based on historical volatility
Expected life:	10 years

The Black-Scholes option pricing model is developed to estimate the fair value of publicly traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

### **SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY**

The Company has been notified of the following interests in the Company's issued shares at 30 September 2002 amounting to 10% or more of the ordinary shares in issue:

	<b>Ordinary shares held</b>	<b>Percentage of total issued shares</b>
Super Result	210,000,000	74.87
HKSCC Nominees Limited	69,724,000	24.86

*Note:* The share capital of Super Result is beneficially owned by Mr. Chan, Ms. Tsui and Mr. Chui Hing Yee as to 46.7%, 46.7% and 6.6% respectively.

Save as disclosed above, and other than the directors of the Company whose interests are set out in the section "Directors' and chief executive's interests in shares or debentures" above, the Company has not been notified of any other interests representing 10% or more of the Company's issued shares as at 30 September 2002.

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

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2002.

### **CODE OF BEST PRACTICE**

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 3 January 2003 to Tuesday, 7 January 2003, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Thursday, 2 January 2003.

By Order of the Board  
**Chan Yum Kit**  
*Chairman*

Hong Kong SAR, 18 December 2002