
Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31st December, 1991.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal business of the Group is the retailing and distribution of "value for money" casual apparel and accessories under the GIORDANO brand. The Group also carries on an apparel manufacturing operation which supports the Group's retailing business and supplies products to third parties.

An analysis of the Group's combined turnover and contributions to trading results before taxation by activities is as follows:

	<i>Turnover</i> <i>HK\$'000</i>	<i>Contribution</i> <i>HK\$'000</i>
Retail & distribution	1,050,077	95,925
Manufacturing	119,545	11,770
	<u>1,169,622</u>	<u>107,695</u>

The geographical analysis of the Group's combined turnover is as follows:

	<i>HK\$'000</i>
Hong Kong	552,077
Taiwan	371,442
Singapore	123,776
Japan	76,397
United States of America	16,708
Philippines	10,785
Korea	8,825
Other territories	9,612
	<u>1,169,622</u>

FINANCIAL INFORMATION

The results and changes in financial position of the Group for the year ended 31st December, 1991 and the state of affairs of the Company and of the Group as at that date, are set out in the accounts on pages 24 to 44.

COMPARATIVE FINANCIAL INFORMATION

The Group underwent a reorganisation prior to obtaining a listing on The Stock Exchange of Hong Kong Limited in June 1991, details of which are set out in note 1 to the accounts on page 28. The following table summarises the combined results, assets and liabilities of the Group for the four financial years ended 31st December 1991, based on the audited accounts of the companies now comprising the Group and adjusted as appropriate as if the current group structure had been in existence throughout these financial years.

	1991	1990	1989	1988
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results				
Turnover	1,169,622	892,337	711,564	498,293
Profit before taxation	107,695	61,072	38,513	25,263
Taxation	22,565	15,571	9,779	4,111
Profit for the year	85,130	45,501	28,734	21,152
Assets				
Intangible assets	6,884	10,954	15,283	19,197
Fixed assets	57,859	39,002	44,390	42,252
Other investments	1,777	834	128	128
Current assets	399,157	278,488	228,417	197,378
Total assets	465,677	329,278	288,218	258,955

	1991 HK\$'000	1990 HK\$'000	1989 HK\$'000	1988 HK\$'000
Liabilities				
Current liabilities	179,895	269,021	252,055	252,060
Deferred taxation	2,543	1,627	1,302	1,300
Total liabilities	182,438	270,648	253,357	253,360
Net assets	283,239	58,630	34,861	5,595

DIVIDENDS

No interim dividend has been declared and the directors recommend the payment of a final dividend of 4 cents per share and a special cash dividend of 1 cent per share for the financial year ended 31st December, 1991.

SHARE CAPITAL

Details of the movements in the authorised and issued capital of the Company during the year are shown in note 17 to the accounts on pages 38 and 39. Details of share options granted by the Company during the year and options outstanding at 31st December, 1991 are set out in note 17 to the accounts on pages 38 and 39.

RESERVES

Movements in reserves during the year are set out in note 18 to the accounts on pages 40 and 41.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 11 to the accounts on pages 34 and 35.

SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 1991 are set out in note 24 to the accounts on page 44.

CHARITABLE DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK\$75,895 (1990:nil).

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr. Lai Chee Ying, Jimmy

Mr. Lee Kwok Cheung, Brian

Mr. Lau Kwok Kuen, Peter

Mr. Barry John Buttifant

appointed on 23rd May, 1991

Mr. Edward James Wu

appointed on 23rd May, 1991

Mr. Wang Xin Wen

appointed on 23rd May, 1991

Messrs. Barry John Buttifant, Edward James Wu and Wang Xin Wen retire in accordance with article 73 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

As part of the reorganisation in preparation for a listing on The Stock Exchange of Hong Kong Limited, the Company acquired the entire equity share capital of Cohin Knitting & Garment Manufacturers Limited and CG Limited from Comitex Holdings Limited; and East Jean Limited from Worldlink Enterprises Limited. In addition, during the year, the Group in the normal course of business purchased sweaters from Comitex Knitters Limited, a subsidiary of Comitex Holdings Limited, amounting to HK\$91,852,000. Mr. Lai Chee Ying, Jimmy as director of the Company was interested in the aforesaid transactions as he has beneficial interests in both Comitex Holdings Limited and Worldlink Enterprises Limited.

Apart from the above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party, and in which any director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 1991 Mr. Lai Chee Ying, Jimmy had a beneficial personal interest in 284,526,481 shares of the Company.

Apart from the above, none of the directors and their associates had any beneficial or non-beneficial interests in the share capital of the Company or any of its subsidiaries at the balance sheet date.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 23rd May, 1991 an employee share option scheme ("the Scheme") was approved at an extraordinary general meeting of the Company under which the directors may, at their discretion, invite directors and employees of the Group, to take up options to subscribe for shares of the Company which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose the shares issued pursuant to the Scheme. The options may be exercised at any time during the period commencing six calendar months after the date of grant of such options and expiring on the fifth anniversary of the date of grant of such options.

Pursuant to the Scheme, options to subscribe for 11,750,000 shares of the Company at HK\$0.81 per share were granted on 29th July, 1991 to the directors of the Company, Mr. Lee Kwok Cheung, Brian and Mr. Lau Kwok Kuen, Peter. During the year and upto the date of this report, these options have not been exercised.

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

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December, 1991 apart from 284,526,481 shares beneficially owned by Mr. Lai Chee Ying, Jimmy and 63,776,786 shares beneficially owned by China Resources (Holdings) Co. Limited, the Company had not been notified of any interest amounting to 10% or more of the issued share capital of the Company.

SERVICE CONTRACTS

There are no service contracts between any directors of the Company proposed for re-election at the forthcoming annual general meeting and the Company or any of its subsidiaries.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group had no bank loans and overdrafts outstanding at 31st December, 1991. Details of other borrowings and banking facilities utilised as at 31st December, 1991 are set out in notes 15 and 22 to the accounts on pages 37 and 43 respectively.

AUDITORS

A resolution to reappoint the retiring auditors, Coopers & Lybrand, will be submitted at the Annual General Meeting.

On behalf of the board

LEE KWOK CHEUNG, BRIAN

Chief Executive

Hong Kong, 9th April, 1992