



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2001.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the 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.

Segmental information

The Group's turnover and contribution to the profit from operating activities were all derived from the manufacture and sales of apparel for the year ended 30 June 2001.

An analysis of the Group's turnover and contribution to profit from operating activities by geographical area for the year ended 30 June 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By geographical area:				
The People's Republic of China	197,969	200,835	62,822	59,199
Hong Kong	27,632	20,465	(3,196)	(1,230)
	225,601	221,300	59,626	57,969



Results and dividends

The Group's profit for the year ended 30 June 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 63.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year ended 30 June 2001 to shareholders on the register of members on 23 November 2001. This recommendation has been incorporated in the financial statements.

Summary of financial information

A summary of the consolidated/combined results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

	Year ended 30 June				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TURNOVER	225,601	221,300	220,943	166,238	100,136
PROFIT FROM OPERATING ACTIVITIES	59,626	57,969	57,257	40,664	28,208
Finance costs	(793)	(1,684)	(2,447)	(1,731)	(1,573)
PROFIT BEFORE TAX	58,833	56,285	54,810	38,933	26,635
Tax	(8,745)	(6,887)	(6,642)	(4,616)	(3,042)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	50,088	49,398	48,168	34,317	23,593



Summary of financial information (continued)

Assets and Liabilities

	Year ended 30 June			
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
NON-CURRENT ASSETS	139,467	77,510	52,515	42,948
CURRENT ASSETS	221,226	194,292	129,926	59,216
TOTAL ASSETS	360,693	271,802	182,441	102,164
CURRENT LIABILITIES	32,611	55,157	66,314	49,987
NON-CURRENT LIABILITIES	2,653	3,190	3,617	779
TOTAL LIABILITIES	35,264	58,347	69,931	50,766
MINORITY INTERESTS	5,984	–	–	–
NET ASSETS	319,445	213,455	112,510	51,398

Notes:

1. The summaries of the pro forma combined results of the Group for the years ended 30 June 1997, 1998 and 1999 have been extracted from the Company's prospectus dated 17 November 1998, and the published financial statements for the year ended 30 June 1999, respectively. Such summaries were prepared from the audited financial statements of the companies now comprising the Group, as if the current structure of the Group had been in existence throughout these financial years. The results of the Group for the years ended 30 June 2000 and 2001 are those set out on page 21 of the financial statements.
2. To date, the only published audited consolidated balance sheets of the Group prepared are those as at 30 June 1999, 2000 and 2001. The Group's pro forma combined balance sheet as at 30 June 1998, has been extracted from the published financial statements for the year ended 30 June 1999, prepared on the basis as if the Group had been in existence as at 30 June 1998. The Group's consolidated balance sheets as at 30 June 2000 and 2001 are those set out on page 23 of the financial statements.



Fixed assets and investment property

Details of the movements in fixed assets and investment property of the Group are set out in notes 12 and 13 to the financial statements, respectively.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

Borrowings

Details of the Group's borrowings at the balance sheet date are set out in notes 21 and 22 to the financial statements.

Share capital, share options and warrants

Details of the movements in the Company's share capital and details of the Company's share options and warrants during the year, together with reasons therefor, are set out in note 24 to the financial statements.

Reserves

Details of the movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

Distributable reserves

At 30 June 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$72,993,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, under the laws of Bermuda, the Company's share premium account, with a balance of approximately HK\$84,480,000 as at 30 June 2001, may be distributed in the form of fully paid bonus shares.

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.



Major customers and suppliers

In the year under review, sales to the Group's five largest customers were less than 30% of the Group's total sales for the year.

Purchases from the Group's five largest suppliers accounted for 81% of the total purchases for the year and the purchases from the largest supplier included therein amounted to 29%.

None of the directors of the Company, any of their associates or any shareholders (which, to the best 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 customers or five largest suppliers.

Directors

The directors of the Company during the year were as follows:

Executive directors

Mr. Ng Leung Ho

Mr. Ng Leung Tung

Ms. Lee Ming Hin

Ms. Lau Ching Yin, Judy (appointed on 17 November 2000)

Non-executive directors

Mr. Chen Ming Kui

Mr. Lo Cheung Kin*

Mr. Zou Zi Ping*

* Independent non-executive directors

In accordance with the Company's bye-laws, Ms. Lee Ming Hin, will retire and, being eligible, offer herself for re-election at the forthcoming annual general meeting.

Each of the non-executive directors is currently appointed for a term of two years commencing from 25 October 2000.



Directors' remuneration and the six highest paid employees

Details of the remuneration of the directors of the Company and that of the six highest paid employees in the Group are set out in notes 5 and 6 to the financial statements, respectively.

Retirement benefits scheme

Details of the retirement benefits scheme of the Group and the employer's costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

Directors' service contracts

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 November 1998, which is subject to termination by either party giving not less than three months' notice in writing.

Save as disclosed above, 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 other than statutory compensation.



Directors' interests in shares and warrants

At 30 June 2001, the interests of the directors in the share capital of the Company or its associated corporation 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	Number of ordinary shares held and nature of interest		Number of warrants held and nature of interest	
	Personal	Corporate	Personal	Corporate
Mr. Ng Leung Ho	15,240,000	320,000,000*	240,000	66,000,000*
Mr. Ng Leung Tung	3,040,000	—	—	—
Ms. Lee Ming Hin	2,198,000	—	—	—

Note: * These shares and warrants are owned by Golden Prince Group Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Golden Prince Group Limited is owned by Mr. Ng Leung Ho.

Save as disclosed above, none of the directors, chief executive or their associates had any interest in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' rights to acquire shares

Under the terms of the Company's share option scheme adopted by the Company on 25 October 1998, the board of directors of the Company may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. Further details of the share option scheme are set out in note 24 to the financial statements. The scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 December 1998.



Directors' rights to acquire shares (continued)

Pursuant to the Company's share option scheme, the Company granted options, at a cash consideration of HK\$1 per grantee, in favour of the following directors:

Name of director	Number of share options outstanding as at 30 June 2000	Number of share options granted during the year	Number of share options exercised during the year	Number of share options outstanding as at 30 June 2001	Exercise price of share options	Exercise period of share options
Mr. Ng Leung Ho	3,000,000	–	(600,000)	2,400,000	HK\$0.257	1 May 1999 to 31 January 2009
	2,100,000	–	(2,100,000)	–	HK\$0.720	28 April 2000 to 27 April 2010
Mr. Ng Leung Tung	2,250,000	–	(1,800,000)	450,000	HK\$0.257	1 May 1999 to 31 January 2009
	2,100,000	–	(2,100,000)	–	HK\$0.720	28 April 2000 to 27 April 2010
Ms. Lee Ming Hin	2,250,000	–	(1,800,000)	450,000	HK\$0.257	1 May 1999 to 31 January 2009
	2,100,000	–	(2,100,000)	–	HK\$0.720	28 April 2000 to 27 April 2010
	13,800,000	–	(10,500,000)	3,300,000		

At the time of grant, each director paid HK\$1 to the Company as consideration for the grant of the options to them. The options granted above may be exercised during the exercise period in the manner set out in note 24 to the financial statements.



Directors' rights to acquire shares (continued)

Further details of the Company's share option scheme are set out in note 24 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Details of the directors' interests in the Company's warrants are set out in the section "Directors' interests in shares and warrants".

Directors' interests in contracts

No director had a significant beneficial interest, either directly or indirectly, 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.

Biographical details of the directors of the Company and senior management of the Group

Executive directors

Mr. Ng Leung Ho, aged 53, is the Chairman and the founder of the Group. Mr. Ng has more than 32 years of experience in the design, manufacture, and trading of men's suits in Hong Kong and the PRC. Mr. Ng is currently a member of the Chinese People's Political Consultative Conference for Fujian Province, a member of the Standing Committee of the Chinese People's Political Consultative Conference for Putian City and is a visiting professor at the Fujian Teachers University. Mr. Ng is responsible for the corporate strategic planning and formulation of corporate policies for the Group as well as the sales and marketing of the Group's products to corporate customers.

Mr. Ng Leung Tung, aged 34, is the Deputy Chairman and joined the Group in 1991. Mr. Ng Leung Tung is responsible for the overall management of the Group's factory in Putian City and oversees the sales and marketing of the Group's products to retailer and distributor customers in the PRC market. Mr. Ng Leung Tung is a brother of Mr. Ng Leung Ho.



Biographical details of the directors of the Company and senior management of the Group (continued)

Executive directors (continued)

Ms. Lee Ming Hin, aged 47, is an executive director and joined the Group in 1991. Prior to joining the Group, Ms. Lee had more than 12 years of experience in raw material procurement, sales and marketing in the apparel industry. Ms. Lee currently oversees the general administration, finance and personnel functions as well as raw material procurement of the Group.

Ms. Lau Ching Yin, Judy, aged 42, is an executive director and joined the Group in 2000. Ms. Lau graduated from the Hong Kong Chinese University. She has more than 20 years of experience in the information technology, telecommunication and Internet industries in the Asia-pacific region, especially the PRC market. Ms. Lau has also been appointed as the Chief Executive Officer and is responsible for the development, planning and business management of the Group.

Non-executive directors

Mr. Chen Ming Kui, aged 47, is a senior economist and a member of the 9th National People's Congress of the PRC. Mr. Chen is currently the chairman and managing director of Fujian Dongbai (Group) Co., Ltd. and is a part-time professor at the Fujian Teachers University. Mr. Chen has extensive experience in corporate management, trading and retailing.

Mr. Lo Cheung Kin, aged 53, graduated from the Fujian Teachers University in 1975. Mr. Lo is a director of the companies under the Victorfield Group in Hong Kong, a private investment group engaged in property development, management and investment, construction, trading and securities business in Hong Kong and the PRC. Mr. Lo has more than 23 years of experience in corporate management, the tourism and hospitality industry, and property investment, development and management in the PRC. Mr. Lo is also an executive director of Buildmore International Limited, a company listed on the Stock Exchange. Mr. Lo is an independent non-executive director.

Mr. Zou Zi Ping, aged 47, is currently the general manager of the Fuzhou Lakeside Hotel and the managing director of the Fuzhou Lakeside Hotel Management Company. Mr. Zou is the visiting assistant professor of the Fujian Teachers University and Fujian Minjiang University. Mr. Zou has extensive experience in the hotel industry in the PRC. Mr. Zou is an independent non-executive director.



Biographical details of the directors of the Company and senior management of the Group (continued)

Senior management

Mr. Liu Qing Rui, aged 55, is the assistant general manager of Good Fellow Garment (Fujian) Co., Ltd. Mr. Liu joined the Group in 1998 and has more than 23 years of experience in general management and administration. Mr. Liu currently oversees the general administration function of Good Fellow Garment (Fujian) Co., Ltd.

Mr. Yang Xian Fang, aged 38, joined the Group in 1991. Mr. Yang is the assistant general manager of Good Fellow Garment (Fujian) Co., Ltd. and is in charge of the product design and development department of the Group. Mr. Yang has more than 21 years of experience in the garment manufacturing industry.

Mr. Wang Bing Qin, aged 62, is the finance manager of Good Fellow Garment (Fujian) Co., Ltd. Mr. Wang graduated from the Fujian Forestry College and joined the Group in 1995. Mr. Wang is responsible for the financial control and accounting functions of the Group's operations in the PRC.

Mr. Li Han Lang, aged 47, is the assistant factory manager of Good Fellow Garment (Fujian) Co., Ltd. Mr. Li joined the Group in 1991 and oversees the production of trousers. Mr. Li has more than 27 years of experience in the apparel manufacturing industry.

Mr. Hui Kin Chung, aged 34, joined the Group in 1991. Mr. Hui is the assistant factory manager of Good Fellow Garment (Fujian) Co., Ltd. and is responsible for overseeing the production of jackets. Mr. Hui has more than 18 years of experience in the apparel manufacturing industry.



Substantial shareholders

At 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
Golden Prince Group Limited	320,000,000	41.2%

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out above in the section "Directors' interests in shares and warrants", had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Purchase, redemption or sale of listed securities

Save as disclosed in note 24 to the financial statements, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Code of Best Practice

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code of Best Practice"), the Company set up an Audit Committee on 8 June 2000, with written terms of reference, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control systems. The Audit Committee comprises three non-executive directors of the Company, namely, Mr. Chen Ming Kui, Mr. Lo Cheung Kin and Mr. Zou Zi Ping. The Group's consolidated financial statements for the year and the Company's financial statements for the year have been reviewed by the Audit Committee, who are of the opinion that such statements comply with applicable accounting standards and requirements and that adequate disclosures have been made.

In the opinion of the directors, the Company has complied with the Code of Best Practice throughout the year.



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

Ng Leung Ho

Chairman

Hong Kong

23 October 2001