Managing Director's Report

William FUNG Kwok Lun

Results Review

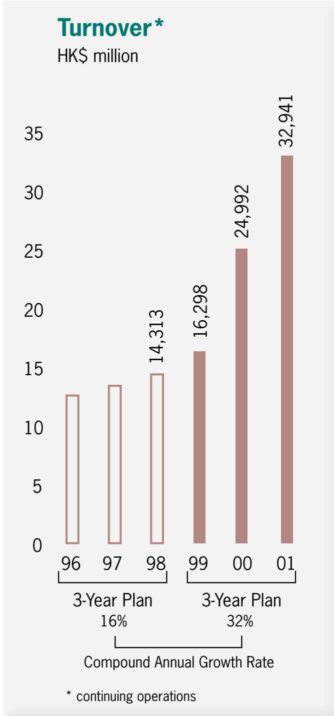
2001 was a difficult trading year for the Group in the face of recession in its main market of the US and in particular, after the terrorist attacks of 11 September. However, due to the timely merger of Colby, turnover still registered an impressive 32% increase for the year (5% excluding Colby).

The Group, in March 2000, raised a significant amount of money (US$250 million or HK$1,950 million) to invest in new acquisitions including an Internet based company StudioDirect in the US. The purpose was to try and service a new segment of small to medium-sized customers via the Internet. However, progress in this venture was not up to expectations and the Group has decided to take a conservative approach to provide fully for its investment of HK$169 million in StudioDirect.

Putting aside this discontinued operation, the Group has achieved its 3-Year Plan (1999 - 2001) target of more than doubling both turnover and profits over this period.

Performance of 3-Year Plan (1999 - 2001)

HK$M	1998	Target 2001	Achieved 2001
Group Turnover	14,313	**21,500**	**32,941**
Profits After Tax	455	**910**	**951**



These results over the past 3 years were unevenly distributed with 1999 a year of steady growth, achieving 14% increase in turnover and 26% increase in profits. The year 2000 was a banner year which saw increases of over 50% for both turnover and profits. 2001 was a consolidation year in a tough environment with a robust turnover growth of 32% but a modest profit growth (continuing operation) of 7% compared to the previous strong year.

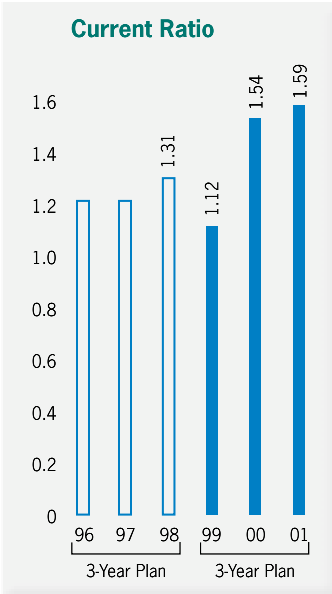
The Group, with the successful merger with Colby, is still very heavily involved with the US market (75%) but has made some headway in diversifying away from apparel (softgoods) to hardgoods. At the end of 2001, the Group entered into a business alliance with Nichimen Corporation of Japan to jointly exploit the very important Japanese market in the coming years.

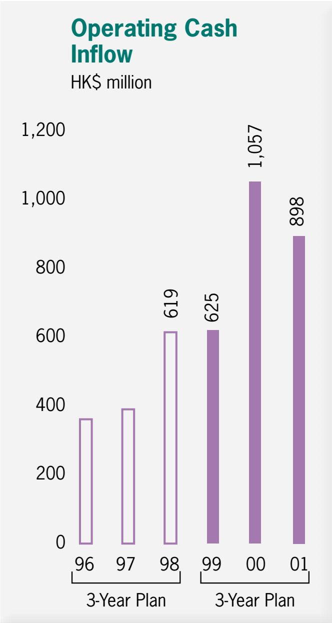
Financial Position

The Group maintains a strong financial position as management has adopted a very aggressive strategy in pursuing its trading business but has managed its finances very conservatively.

In the year under review, the Group was virtually debt free and operated with a current ratio of 1.6 and a gearing ratio (long-term liabilities to equity) of less than 1%.

The Group has cash reserves of over HK$2 billion which are available for future acquisitions. Most of the cash is in either Hong Kong Dollars or US Dollars and is deposited in the leading banks of Hong Kong.



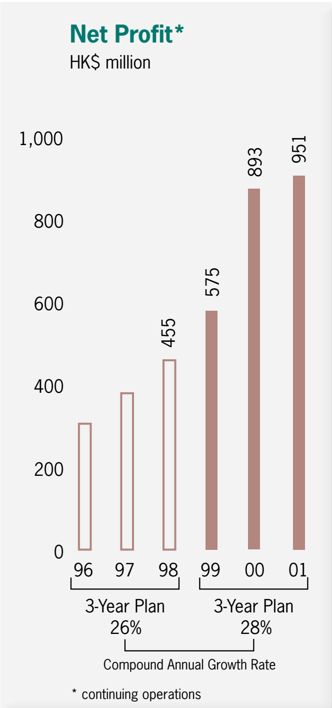


Since the Group usually conducts its business transactions in US Dollars and payment to suppliers are in Hong Kong Dollars or US Dollars, there is seldom the need to make use of financial instruments for hedging purposes. This, coupled with a policy of keeping the majority of our assets also in these currencies, the Group's exposure to exchange fluctuations is minimal.

The Group has no material contingent liabilities other than those including trade bills discounted in the ordinary course of business as noted in the accounts.

Staff and Organization

After another 3 years of rapid growth, the Group's sourcing network is unrivaled in its industry and it now operates 68 offices in 40 countries with a staff about 5,000 professionals worldwide. We already operate 17 offices in China and will be looking to further penetrate this very important sourcing market during the coming 3-Year Plan period.



Prospects

Initial orders from US customers in early 2002 seem to be strong. The Group's business is expected to continue strengthening in 2002, especially in the 2nd half, as signs of recovery have begun to emerge.

The Group has launched its new 3-Year Plan spanning the years 2002 - 2004. Again, our target is to double the recurrent profits of the Company over the next 3 years. The target will be challenging for management and staff. However with possible further acquisitions and the Group's concerted efforts in diversifying into hardgoods which offer higher profit margins, barring no further terrorist activity of similar scale as in the New York City last year, the Group is cautiously optimistic that this goal can be achieved again.

William FUNG Kwok Lun

Managing Director

Hong Kong, 21 March 2002