

On behalf of the Board of Directors, I have pleasure in presenting this report together with the audited financial statements of Tristate Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended December 31, 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 11 to the financial statements.

An analysis of the Group's turnover and contribution to profit from operations by principal activities and markets is as follows:

	Turnover		Profit from operations	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
By principal activities:				
Garment manufacturing	1,648,911,102	1,791,508,123	65,651,725	90,853,236
Trading and retailing	679,875,919	640,383,061	34,955,424	43,994,417
	2,328,787,021	2,431,891,184	100,607,149	134,847,653
By principal markets:				
The United States	1,558,413,961	1,491,133,328		
Asia	401,782,258	609,531,235		
Europe	368,590,802	331,226,621		
	2,328,787,021	2,431,891,184		

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 36% (2000 - 38%) of the total sales. The top five suppliers accounted for approximately 29% (2000 - 29%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 8% (2000 - 11%) of the total sales and the Group's largest supplier accounted for approximately 21% (2000 - 19%) of the total purchases for the year.

Hua Thai Manufacturing Public Company Limited and its subsidiaries (collectively known as "Hua Thai") is one of the five largest suppliers of the Group referred to above. Details of transactions between the Group and Hua Thai are set out in Note 3 to the financial statements. A number of family members and relatives of Mr. Wang Kin Chung, Peter, the Chairman and Chief Executive Officer of the Company, have beneficial interests in Hua Thai. In the opinion of the directors, such transactions were carried out on terms no more favourable than terms available to independent third parties.

Save as aforementioned, at no time during the year, the directors, their associates, or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's share capital have a beneficial interest in any one of the Group's top five customers and/or suppliers.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the year ended December 31, 2001 are set out on page 62 of the financial statements.

The directors declared an interim dividend of HK\$0.04 per share (2000 - HK\$0.06 per share), totalling HK\$10,749,410 (2000 - HK\$15,803,415), which was paid on October 15, 2001. On April 9, 2002, the directors recommend the payment of a final dividend of HK\$0.10 per share (2000 - HK\$0.12 per share), totalling HK\$26,873,525 (2000 - HK\$31,606,830).

The increase in retained profits of the Company amounted to HK\$40,214,455 for the year ended December 31, 2001. Other movements in the reserves of the Company and the Group are shown in Note 20 to the financial statements.

As at December 31, 2001, the Company's reserves of HK\$431,020,453 and retained profits of HK\$42,152,788 were available for distribution to its shareholders.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 18 to the financial statements.

SHARE OPTIONS

Details of the movements in share options of the Company are set out in Note 19 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at December 31, 2001 are set out in Note 11 to the financial statements.

ASSOCIATES

Particulars of the Group's associates as at December 31, 2001 are set out in Note 13 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets are set out in Note 8 to the financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the consolidated results of the Group and its consolidated balance sheets for each of the last five financial years are set out on pages 43 and 44 of the annual report.

DIRECTORS

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

Executive directors:

Mr. Wang Kin Chung, Peter (*Chairman*)

Mr. Wu Ching Her

Mr. Chen Nam Zhang

Mr. Lo Chak Wa

Non-executive directors:

Ms. Wang Koo Yik Chun (*Honorary Co-chairlady*)

Mr. Tang Chi Chien, Jack (*Honorary Co-chairman*)

Mrs. Leslie Tang Schilling

Ms. Mak Wang Wing Yee, Winnie

Mr. Wang Shui Chung, Patrick

Mr. Tang Liu Chien, Oscar (Appointed on April 9, 2002)

Mr. Tang Yue Nien, Martin (Appointed on April 9, 2002)

Independent non-executive directors:

Mr. Yuan Ching Man, James

Mr. Lo Kai Yiu, Anthony

Mr. James Christopher Kralik (Appointed on April 9, 2002)

The offices of the following directors were redesignated with effect from April 9, 2001:

- (a) Mr. Wang Kin Chung, Peter, previously the Company's President and Chief Executive Officer, was appointed Chairman of the Company. Mr. Wang continued to act as the Chief Executive Officer and an executive director of the Company;
- (b) Ms. Wang Koo Yik Chun, previously the Company's Co-chairlady, was appointed Honorary Co-chairlady of the Company. Subsequent to such redesignation, Ms. Koo became a non-executive director of the Company; and
- (c) Mr. Tang Chi Chien, Jack, previously the Company's Co-chairman, was appointed Honorary Co-chairman of the Company and remained as a non-executive director of the Company.

With effect from April 9, 2002, Mr. Tang Liu Chien, Oscar and Mr. Tang Yue Nien, Martin have been appointed as non-executive directors of the Company and Mr. James Christopher Kralik has been appointed as independent non-executive director of the Company.

In accordance with Bye-Laws 85 and 86 of the Company, Ms. Wang Koo Yik Chun retires and, being eligible, offers herself for re-election.

In accordance with Bye-Laws 85 and 86 of the Company, Mr. Chen Nam Zhang and Mr. Tang Chi Chien, Jack retire and, although they are eligible for re-election, do not offer themselves for re-election.

In accordance with Bye-Law 92 of the Company, Mr. Tang Liu Chien, Oscar, Mr. Tang Yue Nien, Martin and Mr. James Christopher Kralik retire and, being eligible, offer themselves for re-election.

None of the directors has a contract which is not terminable by the Company within one year without payment of compensation.

DIRECTORS' SERVICE CONTRACTS

No director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN SECURITIES

As at December 31, 2001, the interests of the directors and chief executives of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were shown below. Details of the interests of the directors and chief executives of the Company in respect of share options granted under the Company's share option scheme are set out in the "Share Option Scheme" section below.

Name	Type of interest	Number of ordinary shares
Tang Chi Chien, Jack	Family interests (<i>Notes 1 and 8</i>)	4,299,492
	Personal & other interests (<i>Note 2</i>)	3,769,953
	Other interests (<i>Note 9</i>)	138,260,000
Wang Koo Yik Chun	Other interests (<i>Note 10</i>)	1,537,000
Wang Kin Chung, Peter	Corporate interests (<i>Note 11</i>)	138,260,000
	Other interests (<i>Note 12</i>)	8,069,445
Wu Ching Her	Personal interests	2,636,289
Leslie Tang Schilling	Family interests (<i>Notes 3 and 7</i>)	4,312,193

Save as disclosed herein, as at December 31, 2001, none of the directors or chief executives of the Company, including their respective spouses, infant children, related trusts and companies which they control, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined under Section 29 of the SDI Ordinance or as notified to the Company and the SEHK pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2001, the register of substantial shareholders maintained under Section 16 (1) of the SDI Ordinance showed that, the following persons (other than a director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the Company's issued share capital:

<u>Name</u>	<u>Number of ordinary shares</u>
Tang Yue Nien, Martin (<i>Notes 4, 5, 7 and 8</i>)	59,738,047
Bermuda Trust (New Zealand) Limited (<i>Notes 1, 2, 3, 5 and 6</i>)	75,648,500
Silver Tree Holdings Inc. (<i>Note 11</i>)	138,260,000

Notes:

- Bermuda Trust (New Zealand) Limited holds 4,299,492 shares as co-trustee of a trust of which Mr. Tang Chi Chien, Jack's wife is a discretionary beneficiary.
- Bermuda Trust (New Zealand) Limited holds 3,769,953 shares as co-trustee with Mr. Tang Chi Chien, Jack of a trust of which Mr. Tang Chi Chien, Jack is a discretionary beneficiary.
- Bermuda Trust (New Zealand) Limited holds 4,312,193 shares as co-trustee of a trust of which Mrs. Leslie Tang Schilling's children are discretionary beneficiaries.
- Mr. Tang Yue Nien, Martin holds 52,338,047 shares as co-trustee and/or a discretionary beneficiary of various trusts.
- Bermuda Trust (New Zealand) Limited holds 7,400,000 shares as trustee of a trust of which Mr. Tang Yue Nien, Martin's children are discretionary beneficiaries.
- Bermuda Trust (New Zealand) Limited holds 75,648,500 shares as trustees for various trusts and all the shares are registered in the name of its nominee company, Somers Nominees (Far East) Limited.
- 4,312,193 shares held by Mr. Tang Yue Nien, Martin overlap that of family interests of Mrs. Leslie Tang Schilling.
- 4,299,492 shares held by Mr. Tang Yue Nien, Martin overlap that of family interests of Mr. Tang Chi Chien, Jack.
- By virtue of Sections 9 and 10 of the SDI Ordinance, Mr. Tang Chi Chien, Jack is taken to be interested in the interests of Mr. Wang Kin Chung, Peter in the equity securities of the Company, namely 138,260,000 shares which are held by Silver Tree Holdings Inc., a company wholly-owned by Mr. Wang Kin Chung, Peter.

10. 1,379,000 shares are held by Euroworld Trustee Holdings Corporation as trustee of a unit trust, units of which are held by a trust, the discretionary objects of which include Ms. Wang Koo Yik Chun. Another 158,000 shares are held by Main World Investment Limited, the entire issued share capital of which is beneficially owned by the same unit trust.
11. 138,260,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly-owned by Mr. Wang Kin Chung, Peter.
12. By virtue of Sections 9 and 10 of the SDI Ordinance, Mr. Wang Kin Chung, Peter is taken to be interested in the interest of Mr. Tang Chi Chien, Jack, in the equity securities of the Company, namely the family interests of 4,299,492 shares (*see Notes 1 and 8*) and the personal and other interest of 3,769,953 shares (*see Note 2*).

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on November 28, 1997, pursuant to which options may be granted to full-time employees (including executive directors) of the Company or its subsidiaries to subscribe for ordinary shares in the Company. As at December 31, 2001, the particulars in relation to the share option scheme of the Company, as required under Rules 17.07 and 17.09 of Chapter 17 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") were as follows:

(a) Summary of movements of share options:

Type of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options			
				Balance as at January 1, 2001	Exercised during the year	Lapsed during the year	Balance as at December 31, 2001
<i>HK\$</i>							
Executive Directors							
Wu Ching Her	June 16, 1998	June 16, 1999 to June 15, 2001	1.62	3,000,000	3,000,000	—	—
Wang Kin Chung, Peter*	November 9, 1999	November 9, 2000 to November 8, 2002	1.39	6,500,000	—	—	6,500,000
Chen Nam Zhang	November 9, 1999	November 9, 2000 to November 8, 2002	1.39	600,000	—	—	600,000
Lo Chak Wa	November 9, 1999	November 9, 2000 to November 8, 2002	1.39	600,000	—	—	600,000

Type of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options			
				Balance as at January 1, 2001	Exercised during the year	Lapsed during the year	Balance as at December 31, 2001
			HK\$				
Non-Executive Director							
Tang Chi Chien, Jack*	November 9, 1999	November 9, 2000 to November 8, 2002	1.39	6,500,000	—	—	6,500,000
Employees							
	June 16, 1998	June 16, 1999 to June 15, 2001	1.62	5,186,000	2,345,000	2,841,000	—
	November 9, 1999	November 9, 2000 to November 8, 2002	1.39	4,260,000	—	300,000	3,960,000
	May 22, 2000	May 22, 2001 to May 21, 2003	1.20	1,300,000	—	300,000	1,000,000

* Mr. Tang Chi Chien, Jack has not been granted any share options. However, by virtue of Sections 9 and 10 of the SDI Ordinance, Mr. Tang Chi Chien, Jack is taken to be interested in the interest of Mr. Wang Kin Chung, Peter for the 6,500,000 share options granted to and exercisable by him.

On June 13, 2001, 400,000 share options were exercised and on June 15, 2001, 4,945,000 share options were exercised by the grantees to subscribe for a total of 5,345,000 ordinary shares of the Company at HK\$1.62 per share. The weighted average closing price of the shares of the Company immediately prior to the date on which the share options were exercised was HK\$2.05 and HK\$2.03 respectively. During the year, 3,441,000 share options granted were lapsed because either the grantees ceased their employment with the Group or the option period expired.

Save as disclosed above, no share options were exercised, cancelled or lapsed during the year.

No share options were granted during the year and accordingly, a valuation of share options granted was not necessary.

Save as disclosed 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 the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or their children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

(b) Summary of details of the share option scheme of the Company:

Participants	:	Full-time employees (including executive directors) of the Company or any of its subsidiaries
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of annual report	:	8,334,025 ordinary shares (3.1% of the issued share capital)
Maximum entitlement of each participant	:	Shall not exceed 25% of the aggregate number of ordinary shares issued and issuable under the share option scheme
Period within which the securities must be taken up under an option	:	No option will be exercisable later than 3 years after its date of grant
Minimum period for which an option must be held before it can be exercised	:	Not applicable
Amount payable on acceptance of the option	:	HK\$1.00
Period within which payments/calls/loans must be made/repaid	:	Not applicable
Basis of determining the exercise price	:	Determined by the Board of Directors and will not be less than 80% of the average closing price of the Company's ordinary shares as stated in the daily quotation sheets issued by the SEHK for the five business days immediately preceding the date of offer or the nominal value of the shares, whichever is higher
The remaining life of the share option scheme	:	The share option scheme remains in force until November 27, 2007

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors or members of its management had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Ms. Wang Koo Yik Chun and Mr. Wang Kin Chung, Peter are directors of Hua Thai Manufacturing Public Company Limited and certain of its subsidiaries. Hua Thai Manufacturing Public Company Limited is a 36.4% held associated company of the Group and, together with its subsidiaries, are engaged in garment manufacturing and trading businesses. The shares of Hua Thai Manufacturing Public Company Limited are listed on the Stock Exchange of Thailand.

Mr. Wang Kin Chung, Peter is a director of Triskele Company Limited. Triskele Company Limited is a 20% held associated company of the Group and is engaged in garment and general trading business.

By virtue of Ms. Wang Koo Yik Chun's and Mr. Wang Kin Chung, Peter's directorships in Hua Thai Manufacturing Public Company Limited and certain of its subsidiaries; and Mr. Wang Kin Chung, Peter's directorship in Triskele Company Limited, they are considered to be interested in the businesses apart from the Group's business, which compete or are likely to compete, directly or indirectly, with the Group's business and are required to disclose such interests in the Company's annual report under Rule 8.10 of the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the Company's Bye-Laws and the law in Bermuda in relation to the issue of new shares by the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONNECTED TRANSACTION

During the year, a subsidiary of the Company entered into a transaction which constitutes a “connected transaction” under the Listing Rules. Details of such transaction are as follows:

A subsidiary of the Company leases certain factory, office and warehouse space from TDB Company Limited. TDB Company Limited is a company with a majority of its shares being indirectly held by a discretionary trust of which a director of the Company is an eligible beneficiary. Accordingly, TDB Company Limited is a connected person of the Company. For the year ended December 31, 2001, the rental expenses of approximately HK\$4,992,000 paid to TDB Company Limited were calculated under normal commercial terms in accordance with an executed rental agreement between the subsidiary of the Company and TDB Company Limited.

The independent non-executive directors of the Company who are not connected with TDB Company Limited have reviewed such transaction and confirmed that the transaction has been carried out under normal commercial terms, in the ordinary and usual course of business of the Group and on an arm’s length basis, and is fair and reasonable insofar as the shareholders of the Company are concerned.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the SEHK throughout the year except that the non-executive directors were not appointed for a specific term as they are subject to retirement by rotation at the Annual General Meeting in accordance with the Company’s Bye-Laws 85 and 86.

AUDIT COMMITTEE

The Company set up an Audit Committee of the Board of Directors on September 1, 1998. The current Committee members comprise two independent non-executive directors, Mr. Lo Kai Yiu, Anthony and Mr. Yuan Ching Man, James; and one non-executive director, Ms. Mak Wang Wing Yee, Winnie. The Audit Committee and senior management met twice in 2001 (one of the meetings was with the external auditors) to consider the nature and scope of audit reviews and the effectiveness of the systems of internal control and financial reporting matters (including the interim and annual financial statements before recommending them to the Board of Directors for approval).

AUDITORS

The financial statements have been audited by Arthur Andersen & Co. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Wang Kin Chung, Peter

Chairman and Chief Executive Officer

Hong Kong, April 9, 2002.