

Report of the Directors



Exhibition booth, Las Vegas

The Directors herein present their report and the audited financial statements of the Company for the year ended 31 December 2001 and the financial statements of the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 34 to the financial statements.

SEGMENTAL INFORMATION

Details of segmental information are set out in note 6 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 23.

The Directors have declared an interim dividend of 2 cents per share, totalling HK\$4,800,000 which was paid on 28 September 2001.

The Directors recommend the payment of a final dividend of HK5 cents (2000: HK4.5 cents) per share in respect of the year to shareholders whose names appear on the register of members of the Company on 23 May 2002, amounting to HK\$13,880,026.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years ended 31 December 2001 is set out on pages 55 and 56.

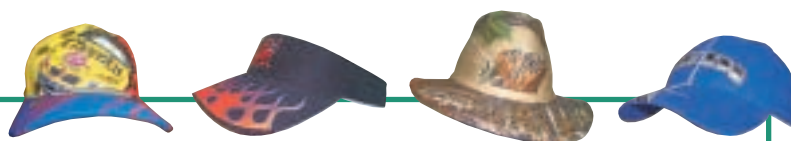


Research and Development



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PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the Group's property, plant and equipment during the year are set out in note 15 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in note 34 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

RESERVES

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



Fabric cutting machine

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$1,642,600.

DIRECTORS

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

Executive directors:

Ngan Hei Keung
Ngan Po Ling, Pauline
Chau King Nui, Helen
Lai Man Sing (resigned on 11 June 2001)

Independent non-executive directors:

Gordon Ng
Leung Shu Yin, William

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DIRECTORS (continued)

In accordance with Clause 87 of the Company's Bye-laws, Mr. Gordon Ng retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election at the forthcoming annual general meeting of the Company. All other remaining directors continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial fixed term of three years commencing 1 June 2000, which will continue thereafter until terminated in accordance with the relevant clause of the service contract.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in note 32 to the financial statements and in the section "Connected transactions" below, no director had any direct or indirect material interest 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.

CONNECTED TRANSACTIONS

- (a) On 15 February 2000, the Group entered into a tenancy agreement with Mainland Sewing Mills Company Limited, a company indirectly and beneficially owned by Mr. Ngan Hei Keung ("Mr. Ngan") and controlled by Mr. Ngan and Mrs. Ngan Po Ling, Pauline ("Madam Ngan"), to lease an office space situated in Kowloon Bay, Hong Kong for an initial term of three years from 1 January 2000 to 31 December 2002 at a monthly rent of \$110,000 (exclusive of government rent, rates and management fees) with an option thereafter to renew for a further term of three years at market rent to be determined by an independent property valuer. The office space has a saleable area of approximately 443.1 sq.m.. The rental has been confirmed by LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, as representing the prevailing market rental of such premises in similar location as at 31 March 2000.
- (b) On 15 February 2000, the Group entered into a tenancy agreement with Mr. Ngan and Madam Ngan to lease the warehouses situated in Kowloon Bay, Hong Kong for an initial term of three years from 1 January 2000 at a monthly rent of \$25,000 (exclusive of government rent, rates and management fees). The leased warehouses have a total saleable area of approximately 230.5 sq.m.. The rental has been confirmed by LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, as representing the prevailing market rental of such premises in similar location as at 31 March 2000.

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SHARE OPTION SCHEME

Pursuant to the share option scheme (the “Existing Share Option Scheme”) of the Company adopted on 16 November 2000, the Board of Directors has approved on 11 June 2001 to grant options to certain full time employees and to a director of the Company to subscribe for 8,649,000 and 2,000,000 shares respectively from the Company. The subscription price per share is HK\$1.228, which represents approximately 80% of the average closing prices of the shares of the five trading days preceding the date of grant of the option. The option period is eight years from 11 June 2001 and exercisable from 11 June 2002. There are additional restrictions imposed on the varying proportion of options exercisable in the initial years during the option period.

Details of the Existing Share Option Scheme are set out in note 24 to the financial statements.

Pursuant to the amendments (the “New Rules”) to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the “Listing Rules”) which became effective from 1 September 2001, any options granted after 1 September 2001 must comply with the provisions of the New Rules. In order for the Company to be able to grant options to the Directors and/or other eligible participants after 1 September 2001, a new share option scheme in compliance with the New Rules is proposed to be approved and adopted by the shareholders of the Company in the forthcoming annual general meeting.

DIRECTORS’ INTEREST IN SHARES

As at 31 December 2001, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

(i) **Shares**

	Number of shares			
	Personal interests	Corporate interests	Family interests	Other interests
Ngan Hei Keung (<i>note</i>)	–	–	–	180,000,000
Ngan Po Ling, Pauline (<i>note</i>)	–	–	–	180,000,000

Note: The shares are legally and beneficially owned by Successful Years International Co., Ltd., a company ultimately and beneficially owned by NHK Trust and NPL Trust as to 40% and 60% respectively. These two trusts are discretionary family trusts settled by Mr. Ngan and the discretionary beneficiaries include Mr. Ngan, Madam Ngan and their family members.

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DIRECTORS' INTEREST IN SHARES (continued)

(ii) Options to subscribe for shares in the Company

A director has personal interest in share options to subscribe for shares in the Company pursuant to the Existing Share Option Scheme and the details are as follows:

Director	Date of grant	Outstanding at 31 December 2001	Exercise price per share	Exercisable period
Chau King Nui, Helen	11 June 2001	2,000,000	HK\$1.228	11 June 2002 to 10 June 2009

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURE

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 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.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

	Numbers of shares	Percentage of holding
Successful Years International Co., Ltd. (<i>note</i>)	180,000,000	73.62%

Note: Successful Years International Co., Ltd. is owned by NHK Trust and NPL Trust as to 40% and 60% respectively. These two trusts are discretionary family trusts settled by Mr. Ngan and the discretionary beneficiaries include Mr. Ngan, Madam Ngan and their family members.

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MAJORS CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001, turnover attributable to the Group's largest customer, Drew Pearson Marketing, Inc., an associate of the Group, accounted for approximately 35% (2000: 34%) of the Group's consolidated turnover and aggregate turnover attributable to the five largest customers of the Group accounted for approximately 81% (2000: 74%) of the Group's consolidated turnover.

For the year ended 31 December 2001, purchases attributable to the Group's largest supplier accounted for approximately 35% (2000: 29%) of the Group's total purchases. Aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 68% (2000: 74%) of the Group's total purchases.

Except as disclosed above, to the best knowledge of the Directors, none of the Directors, their respective associates or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers or suppliers.

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.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

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

AUDIT COMMITTEE

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The Audit Committee comprises the two independent non-executive directors of the Company, namely Mr. Gordon Ng and Mr. Leung Shu Yin, William. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2001 with the Code of Best Practice as set out in Appendix 14 of Listing Rules except that non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Articles 87 and 88 of the Company's Articles of Association.

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USE OF PROCEEDS

The net proceeds from the initial public offering of 60,000,000 shares of the Company, which took place in December 2000 amounted to about HK\$47 million, net of expenses. Out of these proceeds, HK\$33 million had been applied in the acquisition of plant and machinery, digitized embroidery machinery, and general working capital in year 2000. Out of the balance of approximately HK\$14 million, approximately HK\$8 million was applied in the acquisition of plant and machinery and approximately HK\$6 million was applied as general working capital during the year. At 31 December 2001, the net proceeds from the initial public offering were fully applied.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*, as auditors of the Company.

On behalf of the Board

Ngan Hei Keung
Chairman

Hong Kong
16 April 2002