

Report of the Directors

The directors of the Company herein present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activity and geographical location of markets for the year ended 30 June 2002 is set out in note 5 to the financial statements.

RESULTS AND DIVIDEND

The Group's profit for the year ended 30 June 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 19 to 62.

The directors of the Company recommend the payment of a final dividend of HK0.4 cent per ordinary share in respect of the year ended 30 June 2002, to shareholders whose names appear on the register of members on 20 November 2002. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS

	Year ended 30 June				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	<u>248,829</u>	<u>225,601</u>	<u>221,300</u>	<u>220,943</u>	<u>166,238</u>
PROFIT FROM OPERATING ACTIVITIES	75,904	59,626	57,969	57,257	40,664
Finance costs	<u>(220)</u>	<u>(793)</u>	<u>(1,684)</u>	<u>(2,447)</u>	<u>(1,731)</u>
PROFIT BEFORE TAX	75,684	58,833	56,285	54,810	38,933
Tax	<u>(10,816)</u>	<u>(8,745)</u>	<u>(6,887)</u>	<u>(6,642)</u>	<u>(4,616)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>64,868</u>	<u>50,088</u>	<u>49,398</u>	<u>48,168</u>	<u>34,317</u>

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SUMMARY OF FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2002	2001	At 30 June 2000	1999	1998
	HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000
NON-CURRENT ASSETS	146,592	139,467	77,510	52,515	42,948
CURRENT ASSETS	<u>259,680</u>	<u>221,226</u>	<u>194,292</u>	<u>129,926</u>	<u>59,216</u>
TOTAL ASSETS	<u>406,272</u>	<u>360,693</u>	<u>271,802</u>	<u>182,441</u>	<u>102,164</u>
CURRENT LIABILITIES	16,909	24,851	47,462	52,634	49,987
NON-CURRENT LIABILITIES	<u>2,842</u>	<u>2,653</u>	<u>3,190</u>	<u>3,617</u>	<u>779</u>
TOTAL LIABILITIES	<u>19,751</u>	<u>27,504</u>	<u>50,652</u>	<u>56,251</u>	<u>50,766</u>
MINORITY INTERESTS	<u>-</u>	<u>5,984</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS	<u><u>386,521</u></u>	<u><u>327,205</u></u>	<u><u>221,150</u></u>	<u><u>126,190</u></u>	<u><u>51,398</u></u>

Notes:

1. The summaries of the pro forma combined results of the Group for the year ended 30 June 1998 has been extracted from the prospectus of the Company dated 17 November 1998. The summary was 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 the financial year. The results of the Group for the three years ended 30 June 2001 have been extracted from the published audited financial statements. The results of the Group for the year ended 30 June 2002 are those set out on page 19 of the financial statements.
2. The pro forma combined balance sheet of the Group as at 30 June 1998 has been extracted from the prospectus of the Company dated 17 November 1998. The audited consolidated balance sheets of the Group as at 30 June 1999, 2000 and 2001 have been extracted from the published audited financial statements of the Group for the years ended 30 June 1999, 2000 and 2001. The audited consolidated balance sheet of the Group as at 30 June 2002 is that set out on page 21 of the financial statements.

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FIXED ASSETS AND INVESTMENT PROPERTY

Details of movements in the fixed assets and investment property of the Group are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital and details of the Company's share options and warrants during the year, together with the reasons therefor, are set out in note 27 to the financial statements.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$15,635,000 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\$43,000 as at 30 June 2002, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases from the Group's five largest suppliers accounted for 35% of the total purchases for the year and the purchases from the largest supplier included therein amounted to 11%.

None of the directors of the Company, any of their associates or any shareholders (which, to the best knowledge of the directors of the Company, 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.

Report of the Directors

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 (Resigned on 23 November 2001)

Non-executive directors

Mr. Chen Ming Kui
Mr. Lo Cheung Kin*
Mr. Zou Zi Ping*

* Independent non-executive directors of the Company

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 of the Company is currently appointed for a term of two years commencing from 25 October 2000.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive directors

Mr. Ng Leung Ho, aged 54, is the Chairman and the founder of the Group. Mr. Ng has more than 33 years of experience in the design, manufacture, and trading of men's suits in Hong Kong and the People's Republic of China (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 35, 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.

Ms. Lee Ming Hin, aged 48, is an executive director and joined the Group in 1991. Prior to joining the Group, Ms. Lee had more than 13 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (continued)

Non-executive directors

Mr. Chen Ming Kui, aged 48, is a senior economist and was a member of the 9th National People's Congress of the PRC. Mr. Chen is currently 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 54, 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 24 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 of Hong Kong Limited (the "Stock Exchange"). Mr. Lo is an independent non-executive director of the Company.

Mr. Zou Zi Ping, aged 48, 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 of the Company.

Senior management

Mr. Lam Kwok Wah, aged 35, is the financial controller and the company secretary of the Company. Mr. Lam obtained a master of sciences degree in finance from the Golden Gate University, California, the United States of America and is a member of the American Institute of Certified Public Accountants. Prior to join the Group in 2002, Mr. Lam has over 9 years of experience in auditing, accounting and finance.

Mr. Zhong Ming Cheng, aged 49, is the managing director of Digital 910 Limited. Mr. Zhong graduated from the School of Business Administration of Management Executive Officer College, Jiangsu province in 1984 and the School of Business Administration of the Chinese Communist Party School, Jiangsu province with a bachelor's degree in 1994, and obtained a post-graduate qualification from the School of Finance and Economics of Suzhou University in 1997. Mr. Zhong joined the Group in 2001. He is a senior economist and has more than 23 years of experience in general management and administration in various industries. Mr. Zhong currently oversees the general management and business development function of the hi-tech business of the Group.

Mr. Fan Feng, aged 39, is the deputy managing director of Digital 910 Limited. Mr. Fan graduated from the School of Computer Science of Shanghai Jiao Tong University in 1982. Mr. Fan joined the Group in 2001. He is a computer engineer and has more than 20 years of experience in software development and investment banking industry. Mr. Fan currently oversees the business development function of the hi-tech business of the Group.

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BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (continued)

Senior management (continued)

Mr. Lin Jin Guo, aged 38, is the deputy general manager of Digital 910 Limited. Mr. Lin obtained his doctoral degree from the Harbin Engineering University in 1989. Mr. Lin joined the Group in 2001. He is a computer engineer and has more than 14 years of experience in software development. He currently oversees the technical aspects of the hi-tech business development function of the Group.

Mr. Chen Chun Lu, aged 52, is the general manager of Good Fellow Garment (Fujian) Co., Ltd.. Mr. Chen joined the Group in 2001 and has more than 21 years of experience in general management and administration. Mr. Chen currently oversees the general administration function of Good Fellow Garment (Fujian) Co., Ltd..

DIRECTORS' SERVICE CONTRACTS

Mr. Ng Leung Ho, Mr. Ng Leung Tung and Ms. Lee Ming Hin have entered into service contracts with the Company for a term of three years commencing from 1 November 1998, which is renewable automatically for successive terms of one year unless terminated by either party giving not less than three months' notice in writing.

Save as disclosed above, no director of the Company 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company 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.

MANAGEMENT CONTRACTS

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

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DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, the interests of the directors of the Company 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	
	Personal	Corporate
Mr. Ng Leung Ho	45,720,000	960,000,000*

Note:* These shares 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 beneficially owned by Mr. Ng Leung Ho.

Save as disclosed above, none of the directors of the Company or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option schemes" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company operates a share option scheme adopted on 25 October 1998 (the "Old SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old SO Scheme include directors and employees of the Company and its subsidiaries as determined by the directors of the Company. The Old SO Scheme became effective on 1 December 1998 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Under the Old SO Scheme, the maximum number of unexercised share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 30 June 2002, the number of shares issuable under share options granted under the Old SO Scheme was 29,730,000, which represented approximately 1.3% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Old SO Scheme within any 12-month period, is limited to 2.5% of the shares of the Company in issue at any time.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Old SO Scheme, if earlier.

Report of the Directors

SHARE OPTION SCHEMES (continued)

The price per share of the Company payable on the exercise of an option equals to the higher of the nominal value of the shares of the Company or 80% of the average closing price per share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of such option or such price as from time to time adjusted pursuant to the Old SO Scheme.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of share option schemes, which came into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors of the Company consider that it is in the interest of the Company to terminate the Old SO Scheme and to adopt a new share option scheme (the "New SO Scheme"). An ordinary resolution was passed at the annual general meeting of the Company held on 23 November 2001 for the approval of the said adoption of the New SO Scheme and termination of the Old SO Scheme.

Pursuant to the amendments to the Listing Rules, no further options will be granted under the Old SO Scheme but in other respects, the provisions of the Old SO Scheme remain in force and all options granted prior to 1 September 2001 continue to be valid and exercisable in accordance therewith.

The New SO scheme is adopted for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations. Eligible participants of the New SO Scheme include directors and employees of the Company and its subsidiaries. The New SO Scheme should, unless otherwise cancelled or amended, will remain in force for 10 years from 23 November 2001.

The maximum number of unexercised share options currently permitted to be granted under the New SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New SO Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the New SO Scheme, if earlier.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

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SHARE OPTION SCHEMES (continued)

At the date of this report, no share options have been offered and/or granted to any participants under the New SO Scheme.

The following share options were outstanding under the Old SO Scheme during the year:

Name or category of participant	Number of share options					Date of grant of share options**	Exercise period of share options	Exercise price of share options HK\$	Price of Company's shares****	
	At 1 July 2001	Exercised before the bonus issue	Adjustment for the bonus issue*	Exercised after the bonus issue	At 30 June 2002				At grant date of options HK\$	At exercise date of options HK\$
Directors										
Mr. Ng Leung Ho	2,400,000	-	4,800,000	-	7,200,000	1 February 1999	1 May 1999 – 24 October 2008	0.086***	0.330	-
Mr. Ng Leung Tung	450,000	(450,000)	-	-	-	1 February 1999	1 May 1999 – 24 October 2008	0.257	0.330	0.710
Ms. Lee Ming Hin	450,000	(450,000)	-	-	-	1 February 1999	1 May 1999 – 24 October 2008	0.257	0.330	0.710
	<u>3,300,000</u>	<u>(900,000)</u>	<u>4,800,000</u>	<u>-</u>	<u>7,200,000</u>					
Other employees										
In aggregate	3,705,000	(3,705,000)	-	-	-	1 February 1999	1 May 1999 – 24 October 2008	0.257	0.330	0.710
	7,000,000	-	14,000,000	-	21,000,000	1 November 2000	1 November 2000 – 24 October 2008	0.137***	0.560	-
	<u>3,030,000</u>	<u>(2,280,000)</u>	<u>1,500,000</u>	<u>(720,000)</u>	<u>1,530,000</u>	21 May 2001	21 May 2001 – 24 October 2008	0.160***	0.660	0.366
	<u>13,735,000</u>	<u>(5,985,000)</u>	<u>15,500,000</u>	<u>(720,000)</u>	<u>22,530,000</u>					
	<u>17,035,000</u>	<u>(6,885,000)</u>	<u>20,300,000</u>	<u>(720,000)</u>	<u>29,730,000</u>					

* The share options outstanding have been adjusted to reflect the adjustment factor resulted from the two for one bonus issue in the issued share capital of the Company as approved by the ordinary resolution passed at the general meeting held on 12 April 2002.

** The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

Report of the Directors

SHARE OPTION SCHEMES (continued)

*** The exercise price of the share options is adjusted for the two for one bonus issue in the issued share capital of the Company as approved by the ordinary resolution passed at the general meeting held on 12 April 2002. The adjusted exercise price is subject to further adjustment in the case of any future rights or bonus issues, or other similar changes in the Company's share capital.

**** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the actual exercise of share options within the disclosure category.

Summary details of the Company's SO Schemes are also set out in note 27 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their costs. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors of the Company do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the executive directors and employees of the Company, because a number of factors crucial for the valuation cannot be determined, such factors include the exercise period and the conditions that an option is subject to. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful but would be misleading to the shareholders.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests in shares, that is required to be kept by the Company, pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage of holding in the Company's issued share capital
Golden Prince Group Limited	960,000,000#	40.9%

The shareholding is duplicated in the "Directors' interests in shares" disclosed above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out under the heading "Directors' interests in shares" above, had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Report of the Directors

CONNECTED TRANSACTION

Details of the connected transaction that is required to be disclosed for the year are set out in note 33 to the financial statements. Save as disclosed therein, there were no other transactions required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The independent non-executive directors of the Company are of the opinion that the terms of the above transaction are fair and reasonable so far as the shareholders of the Company are concerned, and that the transaction was entered into by the Group in its ordinary and usual course of business and was carried out in accordance with the terms of the agreement governing the transaction.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses for which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 34 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors of the Company, the Company complied with the Code of Best Practice (the "Code"), as set out in appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three non-executive directors of the Company.

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
25 October 2002