

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company.

The principal activities of the Company's subsidiaries and associate as at 31st December, 2000 are set out in notes 33 and 34 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 15 of the annual report.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 53% of the turnover of the Group and the largest customer accounted for approximately 13% of the total turnover of the Group.

The aggregate purchases attributable to the five largest suppliers of the Group during the year were less than 30% of the total purchases of the Group.

At no time during the year did a director, an associate of a director within the meaning of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the issued share capital of the Company, have any interest in any of the five largest customers of the Group.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 46 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$3.6 million on plant and machinery and approximately HK\$2.4 million on furniture, fixtures and equipment to expand and upgrade its manufacturing facilities.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Directors' Report (continued)

SUBSIDIARIES AND ASSOCIATE

Details of the Company's subsidiaries and the Group's associate as at 31st December, 2000 are set out in notes 33 and 34 to the financial statements, respectively.

SHARE CAPITAL AND WARRANTS

Details of the share capital and warrants of the Company during the year are set out in notes 21 and 22 to the financial statements, respectively.

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

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 23 to the financial statements.

DIRECTORS

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

Executive directors:

Chang Wen I (*Chairman*)

Chen Hsien Min (*Managing Director*)

Chen Ying Chieh

Chang Lee Pi Hsia

(appointed on 3rd August, 2000)

Chu Chi Ping

*(appointed on 21st July, 2000 and resigned on
20th February, 2001)*

Lu Teng Feng, Clark

(resigned on 26th May, 2000)

Independent non-executive directors:

Lee Hau Kit, Alex

Chen Si An

Liu Yun Fang

*(appointed on 21st July, 2000 and resigned on
20th February, 2001)*

Chen Bao Yih

*(appointed on 21st July, 2000 and resigned on
20th February, 2001)*

In accordance with Article 99 of the Company's Articles of Association, Mr. Chen Ying Chieh retires by rotation and, being eligible, offers himself for re-election.

In accordance with Article 91 of the Company's Articles of Association, Madam Chang Lee Pi Hsia retires at the forthcoming annual general meeting and, being eligible, offers herself for re-election.

No directors being 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 of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period from his date of appointment up to his retirement by rotation in accordance with the Company's Articles of Association.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2000, the interests of the directors of the Company and their associates in the securities of the Company and of its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of the Hong Kong Special Administrative Region (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Nature of interest	Number of ordinary shares of the Company held
Chang Wen I	Corporate (Note (a))	449,669,995
Chen Hsien Min	Corporate (Note (b))	216,992,895

Notes:

- (a) These securities are registered in the name of and beneficially owned by Lucky Eam International Ltd., a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Chang Wen I.
- (b) These securities are registered in the name of and beneficially owned by Top Glory Assets Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Chen Hsien Min.

In addition to the above, as at 31st December, 2000, the following directors beneficially owned the non-voting deferred shares in the subsidiaries of the Company:

Name of subsidiary	Name of director	Number of non-voting deferred shares of HK\$1 each held
Gentlefit Trading Limited	Chang Wen I	6,425,051
	Chen Hsien Min	2,411,134
Modern City Development Limited	Chang Wen I	3,400
	Chen Hsien Min	3,300

The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distributions on winding up.

Save as disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, as at 31st December, 2000, none of the directors or chief executives, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

Directors' Report (continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Up to 31st December, 2000, no options were granted to any director of the Company under the share option scheme. Details of the share option scheme of the Company are set out in note 23 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 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 or chief executives, nor any of their spouses or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director or former director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" above in respect of certain directors, the Company has not been notified of any other interests representing 10% or more in the issued share capital of the Company as at 31st December, 2000.

RETIREMENT BENEFITS SCHEME

Information on the retirement benefits scheme of the Group is set out in note 31 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 the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

AUDITORS

During the year, Messrs. W. O. Lo & Co., who acted as the joint auditors of the Company with Messrs. Deloitte Touche Tohmatsu in the preceding year, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

CHANG WEN I

Chairman

Hong Kong, 25th April, 2001