

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 2000.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in note 11 to the accounts.

An analysis of the Group's turnover and contribution to operating loss for the year by principal activities and markets is set out in note 2 to the accounts.

Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 26.

The directors do not recommend the payment of a dividend.

Reserves

Movements in the reserves of the Group and of the Company for the year are set out in note 18 to the accounts.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 10 to the accounts.

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Analysis of bank loans, overdrafts and other borrowings

An analysis of bank loans, overdrafts and other borrowings of the Group is set out in note 19 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 16 to the accounts.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 58.

Distributable reserves

Distributable reserves of the Company as at 31st December 2000 amounted to HK\$123,204,000.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Report of the Directors

Directors

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

Executive directors

Mr. Yiu Ching On

Mr. Yiu Kwok Ming, Tommy

Mr. Yiu Kwok Yung

Ms. Wong Kai Chun (appointed on 27th February 2001)

Independent non-executive directors

Mr. Cheung Wing Yui

Mr. Wong Shiu Hoi, Peter

Mr. Lo Wai Kon

In accordance with Clause 99 of the Company's bye-laws, Mr. Yiu Kwok Ming, Tommy and Mr. Cheung Wing Yui will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with clause 102(B) of the Company's bye-laws, Ms. Wong Kai Chun will hold office until the forthcoming annual general meeting and, being eligible, offer herself for re-election.

Directors' service contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Report of the Directors

Biographical details of directors and senior management

Executive directors

Mr. Yiu Ching On, aged 65, is the Chairman of the Company and founder of the Group. He is responsible for the development of the strategic planning of the Group and liaising with various local government authorities in the People's Republic of China excluding Hong Kong (the "PRC"). He has over 41 years' of experience in textile and dyeing industries in Hong Kong and the PRC. He has been the vice-chairman of The Hong Kong Association of Textile Bleachers, Dyers, Printers and Finishers Ltd. since April 1998. He is the husband of Ms. Wong Kai Chun, and the father of Mr. Yiu Kwok Ming, Tommy, and Mr. Yiu Kwok Yung.

Mr. Yiu Kwok Ming, Tommy, aged 40, is the Deputy Chairman and the Managing Director of the Company. He is responsible for the business development of the Group and the overall management of the Group's production facilities in Zhongshan, the PRC. He also assists in liaising and maintaining relationship with various local government authorities in the PRC. He has over 11 years' of experience in the textile and dyeing industries in Hong Kong and the PRC. He holds a bachelor degree in accounting from San Francisco State University of California. Prior to joining the Group in 1987, he worked for Exxon Corporation, a listed company in the United States of America, in its accounting and administration division. He is a son of Mr. Yiu Ching On and Ms. Wong Kai Chun, and a brother of Mr. Yiu Kwok Yung.

Mr. Yiu Kwok Yung, aged 37, is responsible for the overall marketing activities of the Group. He holds a bachelor degree in science from California State University, Hayward. Prior to joining the Group in 1997, he worked for Magna as a software engineer for 7 years. He is a son of Mr. Yiu Ching On and Ms. Wong Kai Chun, and a brother of Mr. Yiu Kwok Ming, Tommy.

Ms. Wong Kai Chun, aged 60, is responsible for internal administrative control and corporate governance of the Group. She is the wife of Mr. Yiu Ching On, and the mother of Mr. Yiu Kwok Ming, Tommy, and Mr. Yiu Kwok Yung.

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Biographical details of directors and senior management (continued)

Independent non-executive directors

Mr. Cheung Wing Yui, aged 51, appointed as an independent non-executive directors in 1999, has been a practising lawyer of the High Court of Hong Kong since 1979 and has also been admitted as a solicitor of the United Kingdom and as an advocate and solicitor in Singapore. He is currently a partner of Woo, Kwan, Lee & Lo. Mr. Cheung is a non-executive director of six other companies listed on the The Stock Exchange of Hong Kong Limited ("Stock Exchange") and company secretary to another four listed companies.

Mr. Wong Shiu Hoi, Peter, aged 59, holds a Master of Business Administration degree from the University of East Asia in Macau. Mr Wong is the managing director of a financial services company and an executive director of another company, both listed on the Stock Exchange. Mr. Wong appointed as an independent non-executive director in 1999. He is a registered dealer and a registered investment advisor under the Securities Ordinance of Hong Kong and is also a Council Member of the Stock Exchange. Mr. Wong possesses over 25 years' of working experience in the financial services industry.

Mr. Lo Wai Kon, aged 53, appointed as an independent non-executive director in 1999, has been a practising lawyer of the High Court of Hong Kong since 1977 and is at present a consultant of Lo, Wong & Tsui. Apart from being a lawyer, Mr. Lo is also a China Appointed Attesting Officer of Hong Kong and was a member of the Election Committee-Religious Subsector.

Senior management

Mr. Cheung Sek Nam, aged 45, is the assistant to Managing Director. He is responsible for the general office administration of the Group's production plant in Zhongshan, the PRC. He has over 17 years' of experience in factory management in the PRC. Mr. Cheung joined the Group in 1993.

Mr. Lam Kwok Yee, Anthony, aged 37, is the sales manager of the Group. He is responsible for sales and marketing of the Group in Hong Kong. He has over 16 years' of experience in the textile and dyeing industry. Mr. Lam joined the Group in 2000.

Report of the Directors

Biographical details of directors and senior management (continued)

Senior management *(continued)*

Mr. Wong Kwok Tai, aged 60, is the factory manager and deputy general manager of the Group. He is responsible for the daily operation of the Group's production plant in Zhongshan, the PRC. He has over 41 years' of experience in the dyeing and printing industry and worked for a number of dyeing factory before joining the Group in 2000.

Mr. Wong Kwok Wing, aged 43, is the chief accountant of the Group. He is responsible for the Group's finance and accounting activities. He has over 20 years' of experience in the finance and accounting field. Mr. Wong joined the Group in 1993.

Mr. Wong Wai Man, Raymond, aged 33, is the financial controller and company secretary of the Company. He has extensive experience in finance and accounting fields. Mr. Wong joined the Group in early 2001.

Directors' interests in contracts

Save as disclosed in note 24 to the accounts, no contracts of significance in relation to the Group's business to which the Company was a party and in which a 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.

Directors' and chief executives' benefit from rights to acquire shares or debentures

The Company has adopted a share option scheme on 29th December 1999 (The "Share Option Scheme"). Under the Share Option Scheme, the Board of the directors may, at its discretion, invite any full-time employee (including executive directors but excluding independent non-executive directors) of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. At 31st December 2000, no option had been granted or agreed to be granted under the Share Option Scheme.

Save as disclosed above, at no time during the year was the Company or 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.

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Directors' interests in equity or debt securities

At 31st December 2000, the interests of the directors and chief executives in the shares and options 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 by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

The Company:

Name of director	Number of ordinary shares of HK\$0.05 each			Total
	Personal interests	Family interests	Other interests	
Mr. Yiu Kwok Ming, Tommy	—	2,610,637 (note a)	123,833,866 (note b)	126,444,503
Mr. Yiu Kwok Yung	—	—	123,833,866 (note b)	123,833,866
Mr. Lo Wai Kon	218,000	—	—	218,000

Notes:

- (a) Such shares are beneficially owned by his spouse.
- (b) Determine Win Investments Limited in its capacity as trustee of The Yiu's Family Unit Trust owns approximately 94.98% of the issued share capital of Jarak Assets Limited which in turn holds 123,833,866 shares. HSBC International Trustee Limited holds 99.99% units in issue in The Yiu's Family Unit Trust in its capacity as the trustee of The Yiu's Family Trust, the beneficiaries of which include Mr. Yiu Kwok Ming, Tommy and Mr. Yiu Kwok Yung.

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Directors' interests in equity or debt securities (continued)

Associated corporation:

Name of associated corporation	Name of director	Number of non-voting deferred shares of HK\$2 each held		
		Personal interests	Family interests	Corporation interests
Ching Hing Weaving Dyeing & Printing Factory Limited	Mr. Yiu Ching On	14,196,591	376,427 (note a)	28,023,134 (note b)
	Mr. Yiu Kwok Ming, Tommy	—	1,000,000 (note a)	—

Notes:

- (a) Such non-voting deferred shares are beneficially owned by the spouse of the respective directors.
- (b) Filand Limited and Clear Picture Holdings Limited are companies wholly-owned by Mr. Yiu Ching On, which beneficially own 10,633,875 and 17,389,259 non-voting deferred shares respectively.

Save as disclosed above, none of the directors, chief executives of the Company had any other interests in the shares of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which had been recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

Report of the Directors

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st December 2000, the Company had been notified of the following substantial shareholders' interest, being 10% or more of the Company's issued share capital.

Name	Number of shares held
Jarak Assets Limited	123,833,866
Determine Win Investments Limited (<i>note a</i>)	123,833,866
HSBC International Trustee Limited (<i>note b</i>)	123,833,866
HSBC Investment Bank Holdings B.V. (<i>note b</i>)	123,833,866
HSBC Holdings B.V. (<i>note b</i>)	123,833,866
HSBC Finance (Netherlands) (<i>note b</i>)	123,833,866
HSBC Holdings plc (<i>note b</i>)	123,833,866

Notes:

- a. Jarak Assets Limited is owned as to approximately 94.98% by Determine Win Investments Limited in its capacity as the trustee of The Yiu's Family Unit Trust.
- b. HSBC International Trustee Limited holds 99.99% units in issue in The Yiu's Family Unit Trust in its capacity as the trustee of The Yiu's Family Trust.

HSBC International Trustee Limited is a wholly-owned subsidiary within the HSBC Group. Their interests in the shares of the Company duplicate with each other.

Save as disclosed above, no other person was recorded in the register as having an interest in 10% or more of the issued share capital of the Company as at 31st December 2000.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

Report of the Directors

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 existed during the year.

Major customers and suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	<i>Percentage</i>
Purchases	
— the largest supplier	6
— five largest suppliers combined	20
Sales	
— the largest customer	21
— five largest customers combined	47

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Compliance with the Code of Best Practice of the Listing Rules

The Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors are not appointed for a specific term since they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

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Subsequent event

Details of the subsequent event is set out in note 25 to the accounts.

Audit Committee

The written terms of reference which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors, namely Messrs. Cheung Wing Yui, Wong Shiu Hoi, Peter and Lo Wai Kon. Two meetings were held during the current financial year.

Auditors

The accounts have been audited by the joint auditors PricewaterhouseCoopers and Chan, Wong, Chung & Co., who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Yiu Ching On

Chairman

Hong Kong, 18th April 2001