

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30th June, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture (through subcontractors) and trading of garments, leather goods and accessories and securities trading and dealing.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June, 2001 are set out in the consolidated income statement on page 19. An interim dividend of HK0.5 cent per share amounting to HK\$6,253,000 was paid to the shareholders during the year. The directors do not recommend the payment of a final dividend and propose that the remaining profit for the year of HK\$10,444,000 be retained.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 50.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the financial statements.

RESERVES

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

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$503,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired plant and equipment of approximately HK\$2 million to expand its capacity. Details of these and other changes in the property, plant and equipment during the year are set out in note 13 to the financial statements.

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MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 30th June, 2001, the total turnover of the five largest customers and suppliers of the Group accounted for less than 30% of the Group's turnover and total purchases respectively.

At 30th June, 2001, Mr Lung Tze Lam owned 50% of the issued share capital in Lovely Fashion Company Limited which is one of the five largest customers of the Group. Details of the Group's sales to Lovely Fashion Company Limited are shown in the section "CONNECTED TRANSACTIONS" in this report.

Save as disclosed above, none of the directors, their associates or any shareholders which to the knowledge of the directors owned more than 5% of the Company's issued share capital had an interest in the share capital of any of the five largest customers or suppliers.

DIRECTORS

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

Mr Lau Tung Hoi (*Chairman*)

Mr Lung Tze Lam (*Vice Chairman*)

Ms So Wai Wai, Dorothy (*Managing Director*) (resigned on 30th July, 2001)

Mr Tong Yat Chong

Mr Lai Kwok Wing, Albert M.B.E.*

Mr Wu Wing Kit*

Mr Tan Giok Sie J.P.*

* *Independent non-executive directors*

With the exception of the Chairman of the Board, all other directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

Mr. Tong Yat Chong retires in accordance with clause 87 of the Company's Bye-laws and, being eligible, offers himself for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the above clause.

The director being proposed for re-election at the forthcoming annual general meeting does not have 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).

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DIRECTORS' INTERESTS IN SHARES

At 30th June, 2001, the interest of the directors in the shares of the Company as recorded in the register maintained under Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name	Number of shares	
	Other Interest	Personal Interest
Lau Tung Hoi (<i>Note 1</i>)	815,360,000	–
Lung Tze Lam (<i>Note 2</i>)	815,360,000	–
Tong Yat Chong	–	370,000

Notes:

1. These shares are held by Linwood Services Ltd. ("Linwood"), 32 shares of Linwood (representing two-third of the entire share capital of Linwood) are owned by Money Belt Worldwide Limited ("Money Belt"). Money Belt is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by HSBC International Trustee Limited as trustee of a discretionary trust, the discretionary objects of which include Mr Lau Tung Hoi and his family members.
2. These shares are held by Linwood, 8 shares of Linwood (representing one-sixth of the entire issued share capital of Linwood) are beneficially owned by Mr Lung Tze Lam.

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme, details of which are set out in note 26 to the financial statements.

No options have been granted to any of the directors under the said option scheme since the scheme was approved.

Apart from the above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their associates 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 their spouses or 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.

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DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "CONNECTED TRANSACTIONS", no contracts of significance to which the Company, its holding company or any of its subsidiaries 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.

CONNECTED TRANSACTIONS

During the year ended 30th June, 2001, the Group had the following transactions with a company in which Mr Lung Tze Lam has a beneficial interest:

Name of company	Nature of transaction	Amount <i>HK\$'000</i>
Lovely Fashion Company Limited	Sales of goods	4,554
	Sales rebate	(3,169)

The Company's independent non-executive directors have confirmed that the above transactions were carried out in the usual course of business and on normal commercial terms.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, the register required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance shows that, apart from the interests disclosed above in respect of Messrs. Lau Tung Hoi and Lung Tze Lam, the Company has not been notified of any persons who were directly or indirectly interested in 10% or more of the shares of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Apart from the particulars of the repurchases of own shares by the Company as set out in note 24 to the financial statements, neither the Company or any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 2001 with those paragraphs of the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

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

On behalf of the Board

LAU TUNG HOI

Chairman

Hong Kong, 5th October, 2001