

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31st December 2001.

Group reorganisation

On 29th December 2000, pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued share capital of Glory Access Limited (“Glory Access”) through a share swap and became the holding company of Glory Access and its subsidiaries. Details of the Reorganisation are set out in the prospectus of the Company dated 4th January 2001. The shares of the Company were listed on the Stock Exchange on 16th January 2001.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 15 to the accounts.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 3 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 20.

The Directors have declared an interim dividend of HK\$0.025 per ordinary share, totalling HK\$5,000,000, which was paid on 17th October 2001.

The Directors do not recommend the payment of a final dividend.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$10,000.

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Fixed assets

Details of the movements in fixed assets of the Group are set out in note 14 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

Distributable reserves

Distributable reserves of the Company as at 31st December 2001 amounted to HK\$27,762,000 (2000: HK\$Nil). Under Section 34 of the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution shall be paid to shareholders out of the share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

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.

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.

Share options

Share option scheme was adopted by the shareholders of the Company by way of written resolution passed on 29th December 2000. Details of the scheme are as follows:

(a) Purpose of the scheme

The Directors believe that the scheme will assist in the recruitment and retention of high calibre executives and employees.

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(b) Participants

The Directors may, at their discretion, invite full-time employees of the Group, including full-time Executive Directors of the Group, to take up options to subscribe for ordinary shares of HK\$0.1 each ("Shares") in the share capital of the Company at a price calculated in accordance with paragraph (f) below. HK\$1.00 is payable by the grantee of an option upon the acceptance by him of the grant of an option.

(c) Maximum number of Shares

The maximum number of Shares subject to the share option scheme shall not (when aggregated with any securities subject to any other share option schemes of the Company and/or its subsidiaries including those which have been granted and accepted but which have been cancelled (the "Cancelled Shares")) exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose Shares allotted and issued upon the exercise of options granted under the share option scheme.

As at 31st December 2001, no share options were granted under the scheme.

(d) Maximum number of options to any one individual

No options may be granted to any one person which if exercised in full would result in the total number of Shares already issued and issuable to him under the share option scheme together with the Cancelled Shares exceeding 25% of the maximum aggregate number of Shares for the time being issued or issuable under the share option scheme at the time of the proposed grantee of that option.

(e) Time of exercise of option

An option may be exercised in accordance with the terms of the share option scheme at any time during the period commencing immediately on the date which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of directors to each grantee, but in any event not later than 10 years from the date of grant.

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(f) Basis of determining the exercise price

The exercise price for the Shares under the share option scheme may be determined by the Board in its absolute discretion but in any event will not be less than 80% of the average of the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the option or the nominal value of the Shares, whichever is the greater.

(g) Period of the share option scheme

The share option scheme shall be valid and effective for a period of 10 years commencing 29th December 2000, being the date the Company conditionally adopted the share option scheme by ordinary resolution. The Company may, by ordinary resolution in general meeting or the board of directors may determine the share option scheme at any time.

Directors

The directors during the year were:

Mr. Wong Chor Wo

Ms. Rosita Andres

Mr. Wong Chor Sang

Mr. Po, Eric

Mr. Kwok Kee Ho, Danny

Mr. Chan Sheung Kwan *

Mr. Chan Sze Shing, Leo *

** Independent non-executive directors*

In accordance with Article 99 of the Company's Articles of Association, Mr. Kwok Kee Ho, Danny and Ms. Rosita Andres retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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Director's service contracts

Each of the Executive Directors has entered into a Director's Service Contract with the Company for a term of 2 years beginning on 16th January 2001. The contracts may be terminated by either party thereto giving to the other 3 months' prior notice in writing.

The five Executive Directors together are entitled to a fixed salary of HK\$2,535,000 per annum in aggregate and any further performance related bonus shall be determined by the Company having regard to the operating results of the Group provided that the total sum of any performance related bonus payable to all the Directors in respect of any financial year shall not exceed 5% of the audited consolidated net profit after taxation of the Group in respect of the same financial year.

Save as disclosed above, 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.

Biographical details of Directors and senior management

Executive Directors

Mr. Wong Chor Wo, aged 50, is the Chairman of the Company and the founder of the Group. Mr. Wong has over 29 years' experience in the handbag industry. He is responsible for formulating the overall business strategies and plans of the Group. He also oversees the finance and product development of the Group. Mr. Wong was appointed as a consultant to the Returned Overseas Chinese Association of Sichuan Province, a committee member of the Sichuan Chinese Overseas Friendship Association, and All-China Federation of Returned Overseas Chinese Committee Member in April, May 2000 and March 2001 respectively.

Mr. Wong Chor Sang, aged 44, is an Executive Director and the Vice Chairman of the Company. He joined the Group in September 1987 and is in charge of the purchasing of raw materials and subcontracting business. He assists Mr. Wong, the Chairman of the Company, in the day-to-day affairs of the Group. Mr. Wong Chor Sang has over 26 years' experience in the handbag industry. He is the brother of Mr. Wong.

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Mr. Po, Eric, aged 32, is an Executive Director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Po joined the Group in April 2000 and is responsible for the financial control and management of the Group. He has over seven years' experience in auditing and corporate finance. Mr. Po graduated from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) with a Bachelor of Arts (Honours) degree in Business Studies. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. Kwok Kee Ho, Danny, aged 34, is an Executive Director and the production manager of the Company. He has over seven years' experience in the handbag industry. Mr. Kwok joined the Group in May 1995 and has substantial experience in factory operations and management. He mainly stations at the Hui Zhou factory and is responsible for the overall management and planning of the Group's production facilities in the PRC.

Ms. Rosita Andres, aged 47, is an Executive Director. Ms. Andres has over 21 years' experience in the handbag industry. She joined the Group in September 1987 and is presently responsible for the overall management and daily operations of the Company. Ms. Andres is the wife of Mr. Wong, the Chairman of the Company.

Independent Non-executive Directors

Mr. Chan Sheung Kwan, aged 38, is a Non-executive Director. He is a fellow member of the Hong Kong Society of Accountants and Chartered Financial Analyst. He holds a Bachelor of Social Science degree from the University of Hong Kong and a Master of Business Administration degree from the University of Birmingham. He has over 13 years' diversified experience in banking, auditing and accounting.

Mr. Chan Sze Shing, Leo, aged 46, is a Non-executive Director. He obtained his Bachelor of Arts degree from the University of Calgary, Alberta, Canada. Upon his return to Hong Kong, he joined the Legal Department of Hong Kong as a Court Prosecutor in Criminal Prosecution. He was awarded a legal scholarship and obtained his LLB degree and Professional Certificate in Law from the University of Hong Kong. He was called to the Hong Kong Bar as a Barrister-at-Law working as a Crown Counsel for the Hong Kong Government. He is currently a barrister practicing law in Hong Kong and is a member of the Hong Kong Bar Association. He was appointed to sit as a temporary magistrate in 1997 and is presently sitting as a deputy magistrate in the Magistracy courts in Hong Kong.

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Senior management

Ms. Chan Siu Ling, aged 32, is the sales and purchasing manager of the Group. Ms. Chan has over 14 years' experience in the sales and marketing of handbags and related products. Ms. Chan joined the Group in November 1992. She is responsible for the sales and marketing of the Group's handbag business in the US, Japan and Europe.

Ms. Chiu Wan Yee, Wendy, aged 38, is the personnel and administration manager of the Group. Ms. Chiu joined the Group in October 1994 and has over 11 years' experience in administration. She is responsible for the general administration and personnel activities within the Group.

Mr. Tse Siu Yung, Simon, aged 35, is the merchandising manager of the Group. Mr. Tse graduated from the Bunka Fashion College in Japan with a Certificate in Fashion. He has over nine years' experience in the handbag industry. Mr. Tse joined the Group in April 1999 and is responsible for the sales of handbags in Japan, the US and Europe.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or its holding companies 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

No disclosable connected transactions were entered into by the Group under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong ("Listing Rules").

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Directors' interests in equity or debt securities

At 31st December 2001, the interests of the Directors and chief executives in the shares, warrants and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as notified to the Company were as follows:

(a) Ordinary shares of HK\$0.10 each

	Number of shares				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. Wong Chor Wo	—	16,000,000 (note 1)	144,000,000 (note 3)	—	160,000,000
Ms. Rosita Andres	—	144,000,000 (note 2)	16,000,000 (note 4)	—	160,000,000

Notes:

- 1 These shares are ultimately beneficially owned by Ms. Rosita Andres, the wife of Mr. Wong Chor Wo.
- 2 These shares are ultimately beneficially owned by Mr. Wong Chor Wo, the husband of Ms. Rosita Andres.
- 3 These shares are registered in the name of Wisechoice Assets Limited, the entire issued share capital of which is held by Mr. Wong Chor Wo.
- 4 The shares are registered in the name of Accuport Developments Limited, the entire share capital of which is held by Ms. Rosita Andres.

Apart from the above, at no time during the year was the Company, its subsidiaries or its holding companies 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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Substantial shareholders

At 31st December 2001, the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

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:

Purchases

- the largest supplier	30%
- five largest suppliers combined	50%

Sales

- the largest customer	33%
- five largest customers combined	76%

None of the Directors, their associates or any shareholder (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

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the date of listing of the Company's shares on the Stock Exchange.

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Audit Committee

The written terms of reference which describe the authority 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 within the scope of the group audit. It also reviews the effectiveness of the financing reporting process, external and internal audit, and of internal controls and risk evaluation. The Committee comprises two independent Non-executive Directors, namely Mr. Chan Sheung Kwan and Mr. Chan Sze Shing, Leo. Two meetings were held during the year.

Directors' interest in competing business

None of the Directors of the Company had interest in a business which competes or may compete with the business of the Group.

Pre-emptive rights

There are no provision for pre-emptive rights under the Company's Memorandum of Association and there are no restrictions against such rights under the laws in the Cayman Islands.

Auditors

The accounts have been audited by PricewaterhouseCoopers.

On behalf of the Board

WONG CHOR WO

Chairman

Hong Kong, 24th April 2002