



REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries and an associate are principally engaged in the manufacture, on an OEM basis, and trading of men's, ladies' and children's knitted-to-shape garments mainly to the US and Europe. Details of the principal activities of the Company's subsidiaries and associate are set out in notes 13 and 14 respectively to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31st March, 2005 is set out in note 33 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2005, the five largest customers of the Group together accounted for approximately 69% of the Group's total turnover, with the largest customer accounted for approximately 31% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was approximately 33.40% of the total purchase of the Group for the year ended 31st March, 2005, with the largest supplier accounted for approximately 10.54% of the Group's total purchase.

At no time during the year did any Director, any associate of a Director, or any shareholder of the Company, which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers mentioned above.

RESULTS

Details of the results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 23 of this Annual Report.

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 51 of this Annual Report.

RESERVES

Movements in reserves of the Group during the year are set out on page 26 of this Annual Report.

BORROWINGS

The Group has bank borrowings and obligations under finance leases totaling HK\$46,342,000 at 31st March, 2005.

CHARITABLE DONATIONS

Charitable donations by the Group for the year ended 31st March, 2005 amounted to HK\$55,100.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's additions to property, plant and equipment amounted to HK\$40,912,000.

Movements in the property, plant and equipment of the Group for the year ended 31st March, 2005 are set out in note 12 to the financial statements.

SHARE CAPITAL

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

DIRECTORS

The Directors of the Company during the year and up to the date of this Annual Report were:

Executive Directors

Mr. Cheng Chi Tai
Mr. Cheng Kwai Chun, John
Mr. Lin Chick Kwan
Mr. Lin Wing Chau

Non-executive Director

Ms. Yip, Galy Ka Lai (resigned on 1st December, 2004)

Independent non-executive Directors

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther

Each of the independent non-executive Directors has fixed term of appointment which is subject to retirement in accordance with the Bye-laws of the Company.

Each of the independent non-executive Directors has confirmed to the Company his or her independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers that each of them is independent.

In accordance with the Bye-laws of the Company, Mr. Chow Chan Lum and Ms. Ko Hay Yin, Karen will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company 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).

The biographical details of Directors and senior management are set on pages 8 and 9 of this Annual Report.

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2005, the interests and short positions of each Director and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Listing Rules, were as follows:

Name of Director	Number of Shares interested (Long Position)	Capacity	Approximate percentage of the issued share capital of the Company
Mr. Cheng Chi Tai	(i) 39,314,280 (Note 1)	Corporate	16.63%
	(ii) 120,840,000 (Note 2)	Founder of a discretionary trust	51.11%
	(iii) 1,500,000	Family	0.63%
Mr. Cheng Kwai Chun, John	120,840,000 (Note 3)	Discretionary object	51.11%
Mr. Lin Wing Chau	2,955,430	Personal	1.25%

Notes:

- These shares are held by Best Ahead Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Cheng Chi Tai. The directors of Best Ahead Limited are Mr. Cheng Chi Tai and Mr. Cheng Kwai Chun, John.
- These shares are held by HSBC International Trustee Limited as the trustee of The Brighton Trust, a discretionary trust established by Mr. Cheng Chi Tai.
- These shares are held by HSBC International Trustee Limited, the trustee of The Brighton Trust, the discretionary beneficiaries of which include Mr. Cheng Kwai Chun, John and his son who is under the age of 18. HSBC International Trustee Limited is incorporated in the British Virgin Islands.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a shareholders' resolution passed on 9th November, 2001 for the primary purpose of providing incentives to directors and eligible employees of the Group and will expire on 8th November, 2010. Under the Scheme, the Board may grant options to eligible full time employees of the Company and its subsidiaries, including any executive and non-executive directors of the Company and its subsidiaries, to subscribe for share in the Company, at a price equal to the higher of: (1) the nominal value of the share; or (2) the average closing prices of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of grant of the options; or (3) the closing price of the share as stated in the Stock Exchange's daily quotations on the date of grant of the options, which must be a business day.

Options granted must be taken up not later than 28 days after the date of grant of the option. The exercise period for the share options granted is determinable by the Directors, which may not expire later than 10 years from the date of grant. In the absence of such determination, the exercise period would commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme. A price of HK\$1.00 is payable by the grantee upon acceptance of the grant of option under the Scheme.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 22,800,000 shares of the Company, being 10% of the shares in issue upon completion of the share offer and the capitalization issue as stated in the prospectus of the Company dated 23rd November, 2001 (the "Prospectus") issued in relation to the initial public offering exercise of the Company and the listing of shares on the Main Board of the Stock Exchange.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme of the Company in any 12-month period must not exceed 1% of the shares of the Company in issue on the date of grant.

No options under the Scheme were granted or exercised during the year and there were no outstanding options at 31st March, 2005.

No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from disclosed under the headings "Directors' Interests in Securities" and "Share Option Scheme" above, at no time during the year was the Company, or its subsidiaries, a party to any arrangement to enable the Directors and their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No Director has, or at any time during the year had, any interest, in anyway, directly or indirectly, in any contract with the Company or its subsidiaries which was significant in relation to the business of the Company.

CONNECTED TRANSACTIONS

The Group sold knitted-to-shape garments to Admiralty Pty. Ltd. of approximately HK\$12,000 during the year, representing approximately 0.01% of the total turnover of the Group. Admiralty Pty. Ltd. is wholly owned by the daughter of Mr. Cheng Chi Tai and her husband.

The Group carried out sub-contracting work for Real Company Limited and the sub-contracting income received therefrom amounted to approximately HK\$1,874,000, representing approximately 0.55% of the total sub-contracting income of the Group during the year. Real Company Limited is beneficially owned as to 100% by a substantial shareholder of a subsidiary of the Company.

The independent non-executive Directors have reviewed the aforesaid connected transactions and confirmed that:

- (i) the transactions have been entered into by the Company in the ordinary and usual course of its business;
- (ii) the transactions have been conducted either (a) on normal commercial terms or (b) where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties; and
- (iii) the transactions have been entered into in accordance with the agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed the aforesaid connected transactions and confirmed that the transactions have received the approval of the Company's Board of Directors and the transactions have not exceeded the cap disclosed in the announcement of the Company dated 29th July, 2004.

COMPETING INTERESTS

At 31st March, 2005, the interests of Mr. Cheng Chi Tai that competed or may compete with the business of the Group were set out below:

Entity that competes or may compete with the business of the Group	Position of the Director in the entity	Competing business of the entity
Kong Shing Knitting Factory	Partner	Garment manufacturing (Note 1)
Dongguan Boji Knitting Garment Co. Ltd.	Director	Garment manufacturing (Note 2)

COMPETING INTERESTS *(Continued)**Notes:*

1. As disclosed in the Prospectus, the business operations of Kong Shing Knitting Factory ("Kong Shing") had actually transferred to Pak Tak Knitting & Garment Factory Limited ("Pak Tak") under an agreement dated 1st April, 1998 as confirmed by a memorandum dated 15th March, 2001. Following such transfer, all revenue of Kong Shing is for the benefit of and account to Pak Tak and Pak Tak bears all operating costs of Kong Shing. Therefore, Kong Shing is actually treated as if it is a division of the Group for accounting and marketing purposes. Such arrangement has been in place since 1st April, 1998. The operating results, assets and liabilities of Kong Shing has been included in the financial statements of Pak Tak which have been consolidated into the consolidated accounts of the Group as reported in the Company's annual report each year. However, the ownership of Kong Shing is still under the name of Mr. Cheng Chi Tai and Ms. Chan Hung Ching, the two partners of Kong Shing, for preservation of the factory registration of Kong Shing. Mr. Cheng Chi Tai and Ms. Chan Hung Ching executed a deed of non-competition in favour of the Company on 1st November, 2001. Under the deed, Mr. Cheng Chi Tai undertakes to the Company that he and his associates (excluding the Group) will not carry on any business that may compete with any business carried on by the Group except, inter alia, for their interest in Kong Shing (including their indirect interest in Dongguan Boji Knitting Garment Co. Ltd.). Under the deed, Mr. Cheng Chi Tai and Ms. Chan Hung Ching have also undertaken to procure that Kong Shing will only carry on business (including manufacturing and selling of knitwear and garments) exclusively for the Group. Details of the arrangement between Kong Shing and the Group and the deed of non-competition are set out in the Prospectus.
2. Dongguan Boji Knitting Garment Co. Ltd. ("Dongguan Boji") was established in China in December 1993 as a sino-foreign equity joint venture. 70% of the interest in Dongguan Boji is held by Kong Shing and the remaining 30% is held by an independent third party. The business licence of Dongguan Boji allows it to manufacture garments and sell up to 30% of its products in China. As explained in the Prospectus, the Group's business strategy at the time of its listing was to focus on expanding its overseas customer base in US and Europe and the then directors of the Company considered that the inclusion of Dongguan Boji into the Group at that stage was premature as the garment retail business in China was still in its development stage. Dongguan Boji has ceased operation since the listing of the Company on the Stock Exchange. On 31st October, 2001, Dongguan Boji gave a non-competition undertaking to the Company. Under the undertaking, Dongguan Boji undertakes that it will not directly or indirectly carry on any business or undertake any investment which may compete with the business of the Group. The undertaking is until: (a) the Shares cease to be listed on the Stock Exchange; or (b) Kong Shing or the connected persons of the Company cease to have any direct or indirect interest in Dongguan Boji, whichever is the earlier. The Directors are not aware that there is any breach of the said undertaking.

Save as disclosed above, at 31st March, 2005, none of the Directors had any interest in a business which competed or may compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2005, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Number of Shares interested (Long Position)	Capacity	Approximate percentage of the issued share capital of the Company
HSBC International Trustee Limited	120,840,000	Trustee	51.11% (Note 1)
Best Ahead Limited	39,314,280	Beneficial	16.63% (Note 2)

Notes:

1. HSBC International Trustee Limited is incorporated in the British Virgin Islands and is the trustee of The Brighton Trust, a discretionary trust, the beneficiaries of which are Mr. Cheng Kwai Chun, John, the Director, and other family members of Mr. Cheng Chi Tai.
2. Best Ahead Limited is incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Cheng Chi Tai. The directors of Best Ahead Limited are Mr. Cheng Chi Tai and Mr. Cheng Kwai Chun, John. Save as disclosed above, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other than as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO as at 31st March, 2005.

As at 31st March, 2005, so far as was known to any Director or chief executive of the Company, the following persons (other than members of the Group) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital:

Name of owner	Name of subsidiary	Percentage of equity interests
Ms. Amy Pik Sin	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%
Mr. Nakorn Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%
Ms. Janphen Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%



SUBSTANTIAL SHAREHOLDERS *(Continued)*

Other than as disclosed above, the Directors and chief executives of the Company were not aware of any persons (other than members of the Group) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital as at 31st March, 2005.

AUDITORS

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

PRE-EMPTIVE RIGHTS

There are no provision 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.

On behalf of the Board

Cheng Chi Tai

Chairman

Hong Kong, 11th July, 2005

