



## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2005.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and export of cotton-based knitted garments for women, children and infants and property investments.

### RESULTS

The results of the Group are set out in the consolidated income statement on page 20.

No interim dividend was paid during the year ended 31 March 2005. The directors now recommend the payment of a final dividend of 0.5 HK cent per share, which in aggregate amounts to approximately HK\$6,618,000, in respect of the year ended 31 March 2005 to shareholders whose names appear on the register of members of the Company on 23 August 2005.

Subject to the approval by the shareholders at the forthcoming annual general meeting, it is intended that dividend warrants will be despatched to shareholders on or before 30 September 2005.

### MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 40% and 80%, respectively, of the Group's purchases for the year under review.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 34% and 65%, respectively, of the Group's turnover for the year under review.

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 has a beneficial interest in the Group's five largest suppliers or customers.

### SHARE CAPITAL

The details of the Company's share capital are set out in note 30 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$1.6 million on acquisition of property, plant and equipment. The details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

### INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 March 2005 by a firm of independent professional property valuers and the resulting surplus of HK\$140,690,000 was credited to the consolidated income statement to reverse deficit previously charged. Details of these are set out in note 17 to the financial statements.



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### PRINCIPAL SUBSIDIARIES

The details of the Company's principal subsidiaries at 31 March 2005 are set out in note 43 to the financial statements.

### PRINCIPAL ASSOCIATES

The details of the Group's principal associates at 31 March 2005 are set out in note 20 to the financial statements.

### DIRECTORS

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

#### **Executive directors:**

Koon Wing Yee (President and Chief Executive Officer)  
Tsang Yiu Kai (Vice President)  
Lui Yuk Chu

#### **Independent non-executive directors:**

Wong Sui Wah, Michael  
Jong Koon Sang (appointed on 6 January 2005)  
Tsui Chun Kong (appointed on 15 September 2004)  
Pun Hei, Hectar (resigned on 6 January 2005)

In accordance with the Company's Bye-law 102(B), Mr. Jong Koon Sang and Mr. Tsui Chun Kong shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with the Company's Bye-law 99, Ms. Lui Yuk Chu will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offers herself for re-election.

None of the directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation). The independent non-executive directors 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.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.



## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the following connected transactions of the Company are required to be disclosed in the annual report of the Company:

On 10 May 2004, the Company entered into an agreement (as supplemented by a supplemental letter dated 15 June 2004) (the "LTC Agreement") with Mr. Louie Tsz Chung ("Mr. Louie") and an agreement (as supplemented by a supplemental letter dated 15 June 2004) (the "KPF Agreement") with Ms. Koon Po Fun ("Ms. Koon"), pursuant to which, amongst other things, the Group has agreed to purchase garments, apparel, clothing and textiles from companies (the "LTC Companies") controlled by Mr. Louie (the "LTC Transactions") and companies (the "KPF Companies") controlled by Ms. Koon (the "KPF Transactions"), respectively, for the period from 1 April 2004 to 31 March 2007 subject to respective caps. In addition, under the terms of the LTC Agreement and the KPF Agreement, the Group has agreed to prepay the LTC Companies and the KPF Companies for the garments to be manufactured for the Group. Such prepayment is interest-free and repayable by the LTC Companies and the KPF Companies on demand and the maximum amount of which will not exceed 50% of the value of the relevant order. The terms of the prepayment granted by the Group to the LTC Companies and the KPF Companies are normal commercial terms which are common in the garment industry in Hong Kong.

Mr. Louie is the nephew of Ms. Lui Yuk Chu, a director of the Company, and Ms. Koon is the sister of Mr. Koon Wing Yee, a director of the Company. Pursuant to the Listing Rules, Mr. Louie has been deemed to be a connected person of the Company and Ms. Koon is a connected person of the Company. The LTC Transactions and the KPF Transactions constitute non-exempt continuing connected transactions of the Company under the Listing Rules and were approved by the independent shareholders at the special general meeting of the Company held on 28 July 2004. Details of the LTC Transactions and the KPF Transactions are set out in the circular of the Company dated 29 June 2004.

The LTC Transactions and the KPF Transactions for the period from 1 April 2004 to 31 March 2005 amounted to approximately HK\$183,968,000 and approximately HK\$40,017,000, respectively.

The Board, including the independent non-executive directors of the Company, has reviewed and confirmed that the LTC Transactions and the KPF Transactions for the period from 1 April 2004 to 31 March 2005 were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of other related party transactions undertaken up by the Group in the normal course of business during the year ended 31 March 2005, which do not constitute connected transactions of the Company required to be disclosed under the Listing Rules, are provided under note 15 to the financial statements.

Save as disclosed above, there was no other contract of significance, to which the 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, subsisting at the end of the year or at any time during the year.



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### CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Other than the contracts disclosed in the section heading "Directors' Interests in Contracts and Connected Transactions", there was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

As at 31 March 2005, the interests and short positions of the directors and the chief executives of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Interests in the Company (long positions):

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Mr. Koon Wing Yee ( <i>note 1</i> )	Interest of spouse	486,324,678	36.74%
Ms. Lui Yuk Chu ( <i>note 1</i> )	Beneficiary of a trust	486,324,678	36.74%
Mr. Tsang Yiu Kai	Beneficial owner	149,993	0.01%

*Note 1:* The 486,324,678 shares relate to the same block of shares in the Company. These shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 486,324,678 shares by virtue of the SFO.



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(b) Interests in associated corporations (long positions):

### Asia Alliance Holdings Limited (“Asia Alliance”)

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of Asia Alliance
Mr. Koon Wing Yee ( <i>note 2</i> )	Interest of spouse	128,259,324	35.93%
Ms. Lui Yuk Chu ( <i>note 2</i> )	Beneficiary of a trust	128,259,324	35.93%

*Note 2:* The 128,259,324 shares relate to the same block of shares in Asia Alliance. These shares were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 128,259,324 shares by virtue of the SFO.

### Wellmake Investments Limited (“Wellmake”) (*note 3*)

Name of director	Capacity	Number of non-voting deferred share held	Percentage to issued non-voting deferred shares of Wellmake
Mr. Koon Wing Yee	Beneficial owner	1	50%
Ms. Lui Yuk Chu	Beneficial owner	1	50%

*Note 3:* All the issued ordinary shares which carry the voting rights in the share capital of Wellmake were held by the Company.

Save as disclosed above, as at 31 March 2005, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme and movements of options granted during the year are set out in note 31 to the financial statements.

The closing price of the Company's shares on 17 November 2004, being the trading day immediately before the date of offer of the options set out in note 31 to the financial statements, was HK\$0.125.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year because of the absence of a readily available market value of the share options on the shares of the Company. Accordingly, the directors were unable to arrive at any assessment of the value of these share options.

No options were granted to, or exercised by, the directors during the year. There was no outstanding option granted to the directors at the beginning and at the end of the year.

No shares were available for issue under the Company's share option scheme as at the date of this report.

Save as disclosed above, at no time during the year ended 31 March 2005 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or the spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures), of the Company or any other body corporate, or had any right to subscribe for the securities or had exercised any such rights.

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the persons (other than the directors or the chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### Long positions:

Name of substantial shareholder	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Magical Profits Limited ( <i>notes 1 &amp; 2</i> )	Beneficial owner	486,324,678	36.74%
Accumulate More Profits Limited ( <i>notes 1 &amp; 3</i> )	Interest of controlled corporation	486,324,678	36.74%
Trustcorp Limited ( <i>note 1</i> )	Trustee	486,324,678	36.74%



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### Notes:

- (1) The 486,324,678 shares relate to the same block of shares in the Company. These shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu, a director of the Company, and her family members other than spouse).
- (2) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Magical Profits Limited.
- (3) Mr. Koon Wing Yee, being a director of the Company, is also a director of Accumulate More Profits Limited.

Other than as disclosed above, as at 31 March 2005, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

### PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 March 2005.

### CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules in force immediately prior to 1 January 2005, except that the independent non-executive directors of the Company have not been appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's Bye-laws.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2005.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders, but there are no restrictions against such rights under the laws in Bermuda.

### DONATIONS

During the year, the Group made donations amounting to HK\$669,400.



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### POST BALANCE SHEET EVENTS

The details of the significant post balance sheet events are set out in note 42 to the financial statements.

### PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and within the knowledge of the directors of the Company, over 25% of the issued share capital of the Company was held by the public as required under the Listing Rules.

### AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the preceding three years.

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

On behalf of the Board

**Koon Wing Yee**

*President and Chief Executive Officer*

Hong Kong, 25 July 2005