

## DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended March 31, 2005.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 24 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2005 are set out in the consolidated income statement on page 12.

The directors recommend the payment of a final dividend of HK\$0.02 per share to the shareholders on the register of member on September 16, 2005, amounting to approximately HK\$3,341,000.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 14 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment amounting to approximately HK\$986,000 were acquired by the Group for the expansion of its operations. Details of movements in property, plant and equipment during the year are set out in note 9 to the financial statements.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

#### Executive directors:

Ling Tai Yuk, John  
Kong Ho Pak  
Pang Hon Chung

#### Independent non-executive directors:

Keir, James	(appointed on September 28, 2004)
Lee Tsoh Ching, Jonathan	(appointed on September 28, 2004)
Leung Shu Yin, William	(appointed on February 1, 2005)
Wu Kin Kwok	(appointed on September 28, 2004 and resigned on February 1, 2005)
Wu Wing Kit	(resigned on September 28, 2004)
Ng Tze Kin, David	(re-designated as non-executive director on September 28, 2004)

#### Non-executive directors:

Chau Wai Yin, Jonathan	(appointed on February 1, 2005)
Ng Tze Kin, David	(re-designated on September 28, 2004)

## DIRECTORS' REPORT

In accordance with the Bye-laws of the Company, Messrs. Kong Ho Pak, Keir, James, Lee Tsoh Ching, Jonathan, Leung Shu Yin, William and Chau Wai Yin, Jonathan shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each director, including the non-executive directors, is for the period up to his retirement by rotation in accordance with the Bye-laws of the Company.

None of the directors has 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).

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at March 31, 2005, the interests of the directors and their associates in the shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long position

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ling Tai Yuk, John	Beneficial owner	26,563,336	15.9%
	Held by a controlled corporation ( <i>Note</i> )	44,705,322	26.8%
		<u>71,268,658</u>	<u>42.7%</u>
Kong Ho Pak	Beneficial owner	3,342,200	2.0%
Pang Hon Chung	Beneficial owner	2,748,000	1.6%
Ng Tze Kin, David	Beneficial owner	507,000	0.3%
Chau Wai Yin, Jonathan	Beneficial owner	10,000	0.01%

*Note:* The shares are held by Accura Overseas Limited, a company incorporated in the British Virgin Islands, wholly and beneficially owned by Mr. Ling Tai Yuk, John.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at March 31, 2005.

# DIRECTORS' REPORT

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

### Old scheme

Pursuant to the share option scheme (the "Old Scheme") adopted on October 11, 1999 by a resolution passed by the Company's shareholders on August 16, 1999, the directors of the Company may grant options as incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") for the shares in the Company within a period of five years commencing from October 11, 1999. This Old Scheme expired on October 10, 2004 and no options have been granted under the Old Scheme since its adoption.

### New scheme

Pursuant to the share option scheme (the "New Scheme") adopted on September 17, 2004 by a resolution passed by the Company's shareholders on September 17, 2004, the directors of the Company may grant options as incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") for the shares in the Company within a period of ten years commencing from September 17, 2004. No options have been granted under the New Scheme since its adoption.

Details of the schemes are set out in note 21 to the financial statements.

Save as disclosed herein:

1. 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; and
2. At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

At March 31, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that Mr. Ling Tai Yuk, John and his controlled corporation stated under paragraph headed "Directors' interests in shares and underlying shares" are the substantial shareholders of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at March 31, 2005.

## DIRECTORS' INTEREST IN CONTRACTS

During the year, the Group paid rental charges amounting to approximately HK\$584,000 to Crown Regent Enterprise Limited, a company in which Mr. Ling Tai Yuk, John, a director of the Company, has a beneficial interest and HK\$240,000 to Progressive Industries ("Progressive"), of which Mr. Ling Tai Yuk, John is the sole proprietor.

In addition, the Group also paid a consultancy fee of HK\$340,000 to Infinite Profits Investment Ltd., a company in which Mr. Chau Wai Yin, Jonathan, a director of the Company, has a beneficial interest.

Save as disclosed above, no 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, subsisted at the end of the year or at any time during the year.

# DIRECTORS' REPORT

## DIRECTORS' INTEREST IN COMPETING BUSINESSES

In accordance with rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), Mr. Ling Tai Yuk, John, a director of the Company, is deemed to have an interest in a business that may compete with the subsidiaries of the Company in the garment industry, as mentioned below:

1. He is a director and a substantial shareholder of Casual Center Garment Industries Limited ("Casual Center"), which is engaged in the manufacture and trading of garments;
2. He is a director of Pace Fashion Industries Limited ("Pace Fashion"), the principal activities of which are the leasing of properties to companies engaged in the manufacture of garments, the trading of garments and the design and sale of sample garment products; and
3. He is the sole proprietor of Progressive which is engaged in the trading of fabric and garments.

The Audit Committee is satisfied that there are sufficient internal controls to ensure that the Group is capable of carrying on its business independent of, and at arm's length from, Casual Center, Pace Fashion and Progressive.

## CONNECTED TRANSACTIONS

During the year, the Company paid a consultancy fee of HK\$120,000 to Yin Ping Corporate Services Ltd., a company in which Mr. Pang Hon Chung's spouse and brother have controlling and beneficial interests.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There are no provisions 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.

## CORPORATE GOVERNANCE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended March 31, 2005 except that the non-executive directors are not appointed for a specific term, but are subject to retirement by rotation in accordance with the provisions of the Company's Bye-laws.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

# DIRECTORS' REPORT

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended March 31, 2005.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended March 31, 2005:

1. The Group's largest customer and five largest customers accounted for approximately 91% (2004: 87%) and 100% (2004: 100%) respectively of the Group's total turnover for the year.
2. The Group's largest supplier and five largest suppliers accounted for approximately 16% (2004: 27%) and 47% (2004: 56%) respectively of the Group's total purchases for the year.

According to the understanding of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year.

## 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.

On behalf of the Board

**Ling Tai Yuk, John**

*Director*

Hong Kong, July 15, 2005