

Listing Rules Implications

Since Madam Koo is the mother, and Ms. Daisy TING is the spouse, of Mr. Peter WANG, they are connected persons of the Company and therefore the Acquisition and the exercise of the Option constitute connected transactions for the Company. The exercise of the Option, when aggregated with the Acquisition, will result in Hua Thai becoming a subsidiary of the Company and constitute a major transaction for the Company. The potential acceptance of the Tender Offer by any person will constitute connected transactions of the Company under the Listing Rules. Accordingly, the further acquisition(s) pursuant to the Tender Offer will, together with the Acquisition and the exercise of the Option, constitute a major transaction and connected transaction for the Company, and approval will be sought from the independent shareholders of the Company to approve the Acquisition, the exercise of the Option, the making of the Tender Offer and the further acquisition(s) pursuant to the Tender Offer at the special general meeting to be held on 6th October 2005 ("SGM"). Subject to obtaining of such approval and the Sale and Purchase Agreement becoming unconditional, the exercise of the Option is expected to be completed simultaneously with the completion of the Sale and Purchase Agreement. Further details of the Acquisition (including the conditions on which the Sale and Purchase Agreement is subject), the exercise of the Option, the Tender Offer and the further acquisition(s) pursuant to the Tender Offer together with the notice of SGM are set out in the circular of the Company dated 8th September 2005.

FUTURE DEVELOPMENT

The elimination of the apparel quota system in January 2005 provides promising opportunities to the Group. However, the uncertainty of the business environment after the elimination of the quota system may also speed up price compression at a rate faster than anticipated, which in turn may reduce the profit margin of the Group's products. The uncertain business environment caused by the trade disputes on textile products between the People's Republic of China and the United States of America may continue. We will in any event strive to maintain our position as a leading manufacturer of a wide range of garments including ladies' suits and tailored related separates for women and casual and lifestyle clothes for men. The Group has consolidated its production capabilities and diversified its production locations to other countries with a low cost operating environment while maintaining consistently high quality. The Group's current order book is consistent with the corresponding period last year.

As mentioned above and in Note 18 to the condensed financial statements, the board of Directors of the Company (the "Board") strategically decided to acquire additional interests in Hua Thai. Hua Thai is principally engaged in the manufacture and sale of ladies' suits, outerwear and sportswear. It has production facilities in Thailand and Vietnam. The customers of Hua Thai include a number of major apparel groups in the United States of America and Europe, which are also the Group's customers. The Board believes that the acquisition of additional interests in Hua Thai would generate greater synergy to the Group in terms of work efficiency since the Group and Hua Thai Group have been working closely in past years and the management and staff of Hua Thai have become familiar with the production process, system and corporate culture of the Group. All of these factors are considered important for the Group to continue to maintain the quality of its products and to manage its costs in an effective manner. In the event that Hua Thai becomes a subsidiary of the Company, the Board believes that the Group will be able to further improve the coordination of resources and production engineering processes of Hua Thai with those of the Group. This in turn will enable the Group to maintain a close business relationship with those major customers who are seeking to diversify their procurement geographically, by allocating a portion of such orders to Hua Thai's plants in Thailand and Vietnam.

Going forward, the Group is committed to focusing on its core customers. Product offerings will focus on core competencies and value added services will continue to be tailored to individual customer's needs. The Group will also continue to improve its production efficiency and exercise effective controls over direct and indirect costs.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK\$0.09 per share for the six months ended 30th June 2005 (2004: Nil), amounting to a total of approximately HK\$24,186,000 (2004: Nil). The interim dividend will be payable on Wednesday, 26th October 2005 to shareholders whose names appear on the Register of Members of the Company on Friday, 21st October 2005.