

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and of the Group for the year ended 30th June, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and trading of garments, proprietary trading in securities and investment holding.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June, 2005 are set out in the consolidated income statement on page 18.

The Directors recommend the payment of a final dividend of HK1.5 cents per share to the shareholders whose names appear on the register of members of the Company at the close of business on 17th November, 2005, amounting to HK\$18,241,000.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 21 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group's investment properties were revalued at 30th June 2005. The surplus arising on revaluation, amounting to HK\$2,640,000 has been credited to the investment property revaluation reserve.

Details of these and other movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 31.2% of the Group's turnover for the year ended 30th June, 2005, with the largest customer accounted for approximately 11.4%. The five largest suppliers of the Group together accounted for approximately 78.6% of the Group's total purchases for the year ended 30th June, 2005, with the largest supplier accounted for approximately 66.0%.

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None of the Director, or any of the associate of a Director or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has an interest in the share capital of any of the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors:

Mr. Lau Tung Hoi (*Chairman*)

Ms. Yan Miu King (*Deputy Chairman*)

Non-Executive Director:

Mr. Wu Wing Kit (re-designated from Independent Non-Executive Director to Non-Executive Director on 7th October, 2004)

Independent Non-Executive Directors:

Mr. Man Mo Leung

Mr. Ho Yau Ming (appointed on 20th October, 2004)

Mr. Hung Kwok Keung, Keith (appointed on 30th June, 2005)

Mr. Lai Kwok Wing, Albert M.B.E. (resigned on 1st April, 2005)

With the exception of the Chairman of the Board, all other Directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

In accordance with the provisions of the Company's Bye-laws, Mr. Wu Wing Kit and Mr. Hung Kwok Keung, Keith will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The term of office of each of Non-Executive Director and Independent Non-Executive Directors is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

No Director being proposed for re-election at the forthcoming annual general meeting 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).

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30th June, 2005, the interests of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the 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 ("Model Code"), were as follows:

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lau Tung Hoi	Held by trust (<i>Note</i>)	867,010,000	71.29%
Ho Yau Ming	Beneficial owner	500,000	0.04%
Yan Miu King	Beneficial owner	370,000	0.03%

Note: These shares are held by Linwood Services Ltd. ("Linwood"), 48 shares of Linwood (representing the entire issued share capital of Linwood) are owned by Money Belt Worldwide Limited ("Money Belt"). Money Belt is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by HSBC International Trustee Limited as trustee of a discretionary trust, the discretionary objects of which include Mr. Lau Tung Hoi and his family members.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2005, which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 25 to the financial statements.

No option under the above schemes was granted or exercised since the adoption of the schemes and no option was outstanding as at 30th June, 2005.

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ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options" above, at no time during the year was the Company, any of its holding companies or subsidiaries a party to any arrangements to enable the Directors of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the operating lease rental paid for a Director's accommodation to a landlord in which a Director of the Company has a beneficial interest, as disclosed in note 27 to the financial statements, no other contracts of significance to which the Company, any of its holding companies or 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, apart from the interests disclosed above in respect of Mr. Lau Tung Hoi, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO.

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.

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

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

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CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 2005 with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which applied before the amendment of the Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report that are effective for accounting period on or after 1st January, 2005, except that the Independent Non-Executive Directors and the Non-Executive Director of the Company are not 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 meeting of the Company in accordance with the Company's Bye-laws.

The Company will prepare a Corporate Governance Report in accordance with the Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report for the year ending 30th June, 2006.

The Company has adopted the Model Code regarding securities transactions by Directors on terms no less than the required standard set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that 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.

Rules 3.10(1) and 3.21 of the Listing Rules requires that every Board of Directors and audit committee of a listed issuer must include at least three Independent Non-Executive Directors and each of the Independent Non-Executive Director must meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

On 7th October, 2004, Mr. Wu Wing Kit, one of the Independent Non-Executive Directors, has been re-designated as a Non-Executive Director by reason that he was no longer considered as independent under the Listing Rules.

Following the re-designation of Mr. Wu as a Non-Executive Director, the Company was temporarily unable to strictly comply with Rules 3.10(1) and 3.21 of the Listing Rules which requires the Company to retain at all times a minimum of three Independent Non-Executive Directors.

The Company has appointed Mr. Ho Yau Ming to fill in the position of the third Independent Non-Executive Director at the last annual general meeting of the Company held on 20th October, 2004.

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On 1st April, 2005, Mr. Lai Kwok Wing, Albert, M.B.E., one of the Independent Non-Executive Directors, has resigned as an Independent Non-Executive Director for personal reason.

Following the resignation of Mr. Lai as an Independent Non-Executive Director, the Company was temporarily unable to strictly comply with Rules 3.10(1) and 3.21 of the Listing Rules. The Company has appointed Mr. Hung Kwok Keung, Keith to fill in the position of the third Independent Non-Executive Director with effect from 30th June 2005.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30th June 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.

On behalf of the Board

LAU TUNG HOI

Chairman

Hong Kong, 3rd October, 2005