

REPORT OF THE DIRECTORS

The directors submit herewith their annual report together with the audited financial statements for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are manufacturing, retailing and distribution of apparel and property development.

An analysis of the Group's performance for the year by geographical and business segments is set out in note 5 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2005 are set out in note 13 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 30 June 2005 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 20 to 54.

DIVIDENDS AND RESERVES

The directors do not recommend payment of any dividend for the year ended 30 June 2005 (2004: HK\$Nil).

Movements in reserves during the year are set out in note 20 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers combined did not exceed 30% of the Group's total turnover for the year ended 30 June 2005.

The Group's five largest suppliers combined did not exceed 30% of the Group's total purchases for the year ended 30 June 2005.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment during the year are set out in note 11 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

A summary of major properties under development is set out on page 55.

DIRECTORS

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

Executive directors

Tan Sim Chew, *Chairman*

Chen Miao Zhu, *Managing Director*

Fu Zi Cong

Lo King Fat, *Lawrence*

Independent non-executive directors

Wong Kwai Sang, *Kays*

Tsang Chun Pong

Li Chun Ming, *Raymond*

In accordance with the Company's Articles of Association, Mr. Wong Kwai Sang, Kays and Mr. Tsang Chun Pong shall retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

The biographical details of directors are set out in pages 8 to 9.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The service contracts of the three independent non-executive directors, Messrs. Wong Kwai Sang, Kays, Tsang Chun Pong and Li Chun Ming, Raymond, are for a term of 3 years commencing on 3 July 2005, 20 July 2005 and 29 September 2004 respectively. Their remuneration is HK\$60,000 per annum subject to any adjustments as the board of directors may approve from time to time.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2005, the interests and short positions of the directors of the Company 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 (the "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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) Long positions in shares of the Company

	Number of ordinary shares of HK\$0.01 each (note)	Percentage of total issued shares at 30 June 2005
Tan Sim Chew	252,805,226	18.98
Chen Miao Zhu	6,500,000	0.49
Fu Zi Cong	574,000	0.04

Note: These shares are held by the respective directors personally as beneficial owner.

(b) Long positions in underlying shares of equity derivatives of the Company

Share options were granted to certain directors of the Company pursuant to the share option scheme of the Company. Details of the interests of the directors in share options granted by the Company are set out under the section "Share Option Scheme" of this report.

Save as disclosed above, as at 30 June 2005, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation which have been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Pursuant to a written resolution passed on 5 May 1997, a share option scheme ("Share Option Scheme") for employees was approved and the directors may, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board which will not be less than 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher. To comply with the relevant rules of the Stock Exchange, which came into effect on 1 September 2001, options will be granted in the future at a price determined by the Board which will be the higher of

- (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted (together with shares in respect of which any options remain outstanding) under the Share Option Scheme of the Company may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Share Option Scheme.

No option may be granted to any one employee which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and remaining issuable to him or her under the Share Option Scheme, would exceed 25% of the aggregate number of shares for the time being issued and are issuable under the Share Option Scheme. To comply with the relevant listing rules of the Stock Exchange, unless approved by shareholders in the manner set out in the listing rules, the total number of shares issued and to be issued upon exercise to the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

The exercisable period of an option should not exceed a period of three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three years period.

The Share Option Scheme will remain in force for a period of 10 years commencing on 5 May 1997.

REPORT OF THE DIRECTORS

At 30 June 2005, the following persons, being directors and a senior executive, had the following personal interests in the options to subscribe for shares of the Company granted at nominal consideration. Each share option entitles its holder to subscribe for one share of HK\$0.01 each in the Company.

Directors	No. of options outstanding at 1 July 2004	Date granted	Period during which options are exercisable	Subscription price per share HK\$	Lapsed during the year	No. of options outstanding at 30 June 2005
Tan Sim Chew	2,700,000	31 January 2001	1 August 2001 to 31 July 2004	0.16	2,700,000	—
Chen Miao Zhu	2,700,000	31 January 2001	1 August 2001 to 31 July 2004	0.16	2,700,000	—
Lo King Fat, Lawrence	1,900,000	31 January 2001	1 August 2001 to 31 July 2004	0.16	1,900,000	—
Fu Zi Cong	2,500,000	31 January 2001	1 August 2001 to 31 July 2004	0.16	2,500,000	—
Senior Executive						
Chan Yiu Kuen, Holfred	1,400,000	31 January 2001	1 August 2001 to 31 July 2004	0.16	1,400,000	—

During the year, no share options were granted, exercised or cancelled. There was no option outstanding as at 30 June 2005.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2005, the person having an interest in 5% or more of the issued share capital of the Company as recorded in the register of interest in shares and short positions required to be kept under section 336 of the Part XV of SFO was as follows:

Director	Number of ordinary shares interested	Percentage of total issued shares
Tan Sim Chew	252,805,226	18.98

Note: The above shares are held by Mr. Tan Sim Chew personally.

Save as disclosed herein, no other person was recorded in the register of interests and short positions maintained under section 336 of Part XV of the SFO as having an interest of in 5% of more of the issued share capital of the Company as at 30 June 2005.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts 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, subsisted at the end of the year or at any time during the year.

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

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

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 56.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under Companies Law in the Cayman Islands.

PENSION SCHEMES

As stipulated by the labour regulations of the People's Republic of China (the "PRC"), the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at a specified percentage of the eligible employees' salaries. The Group has no other obligation for the payment of its employees' retirement and other post-retirement benefits other than contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement plans as mentioned above. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. The Group employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions paid in respect of retirement benefits for the year totalled HK\$613,000 (2004: HK\$533,000).

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

During the year, the Company continued to comply with the Code of Best Practices as set out in the Appendix 14 of The Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("the Code"). The Company has adopted all the code provisions in the Code as its own code on corporate governance practices. Compliance with the Code will be effective in financial year ending 30 June 2006.

Board of Directors

The existing Board of the Company consists of 7 directors, comprising 4 executive directors and 3 independent non-executive directors. The executive directors of the Company comprises Mr. Tan Sim Chew (Chairman), Ms. Chen Miao Zhu (Managing Director), Mr. Fu Zi Cong and Mr. Lo King Fat, Lawrence. The roles of the Chairman and the Managing Director are segregated. The executive directors meet regularly to review and discuss management reports on the performance of the Company, current plans and long term opportunities, and any other issue of immediate concern. They are responsible for the day to day management of the Company's operation. They conduct regular meetings with the senior management of the Company, at which operational issues and financial performance are evaluated.

The independent non-executive directors comprises Mr. Wong Kwai Sang, Kays, Mr. Tsang Chun Pong and Mr. Li Chun Ming, Raymond. They are independent of the shareholders of the Company and do not assume any management position in the Company. They are appointed for a term until 3 July 2008, 20 July 2008 and 29 September 2007 respectively and subject to retirement pursuant to the articles of association. All of them satisfy the regulatory requirements for independence.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code and its code of conduct regarding the directors' securities transactions.

At present, an audit committee and a remuneration committee have been set up under the Board of Directors.

Audit Committee

The Company's audit committee is composed of three independent non-executive directors. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls.

The Audit Committee meets twice a year with the Company's external auditors to discuss the audit process and accounting issues, and reviews the effectiveness of internal controls. The written terms of reference which describes the authority and duties of the audit committee are regularly reviewed and updated by the Board.

Remuneration Committee

The Company's Remuneration Committee was established on 17 December, 2004 and is composed of three independent non-executive directors and Mr. Lo King Fat, Lawrence. The Remuneration Committee's responsibilities includes the review of the Company's policy for remuneration of directors and senior management and determination the remuneration packages of executive directors and senior management including benefits in kind, pension rights and compensation payments.

Internal Control

The Board places great importance on internal control and risk management and responsible for establishing and maintaining adequate internal control over financial reporting for the Company and assessing the overall effectiveness of those internal controls.

The results of the implementation of its internal control mechanism are reviewed by the executive directors on a regular basis in order to ensure that internal monitoring and control mechanism operates soundly, stably and effectively.

Shareholder Communication

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include the annual general meeting, the annual report, various notices, announcements and circulars.

AUDITORS

The incumbent auditors, BDO McCabe Lo & Company, will retire at the forthcoming annual general meeting of the Company. On 1 August 2005 the practice of BDO McCabe Lo & Company was reorganised as BDO McCabe Lo Limited. Accordingly, a resolution will be proposed at the forthcoming annual general meeting of the Company to appoint BDO McCabe Lo Limited as auditors of the Company.

By Order of the Board

Tan Sim Chew

Chairman

Hong Kong, 7 October 2005