Management Discussion and Analysis:

RESULTS

Turnover for the year ended 31 December 2005 increased by 7% to HK$2.11 billion. Net profit attributable to shareholders for the year ended 31 December 2005 was HK$67.4 million, compared with a reported profit of HK$72.4 million of last year. Basic earnings per share was 20.3 HK cents. Net asset value per share was HK$2.1.

REVIEW OF OPERATIONS

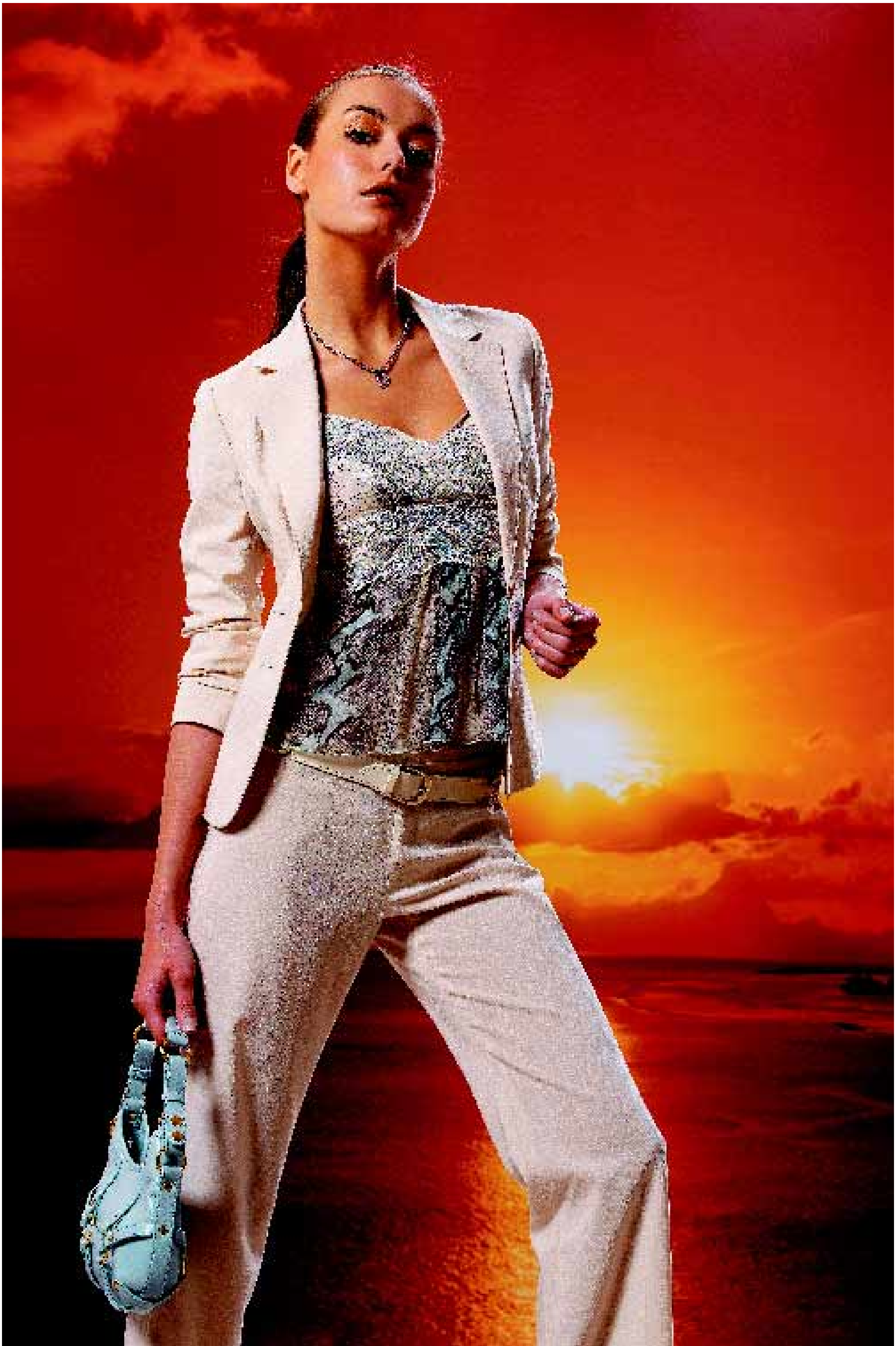
The segmental information is as follows:–

	2005	2004	**2005**	2004
	Turnover		**Operating profit**	
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Manufacturing and trading	**1,856,872**	1,769,026	**100,695**	81,495
Retailing and uniform	**251,625**	194,992	**807**	(7,065)
	2,108,497	1,964,018	**101,502**	74,430
By geographical segments:				
USA	**1,431,675**	1,329,009	**76,109**	65,401
Europe	**298,100**	250,857	**1,307**	1,248
Greater China	**348,875**	364,484	**20,988**	5,775
Others	**29,847**	19,668	**3,098**	2,006
	2,108,497	1,964,018	**101,502**	74,430

The Group recorded growth in both turnover and operating profit of our core manufacturing and trading business when compared with last year. In accordance with the new Hong Kong Financial Reporting Standards, the operating profit in the Greater China region for the year of 2005 reflected a fair value change on investment properties of HK$22.4 million located in Hong Kong.

Geographically, the United States continued to be the Group's major export market, accounting for 68% of sales turnover for the year 2005. Turnover of August Silk was strategically tightened at a slightly lower level of 36% (2004: 41%) of our sales in the USA to synchronize with its management restructuring and revised marketing strategy. We expect August Silk's operation to turn around towards the latter part of this year.

Sales to the European market increased by 19% of turnover for the year 2005. We are now set to accelerate our business expansion in the European market with new products and intensified marketing activities.



Management Discussion and Analysis:

The turnover of retailing and uniform amounted to HK$252 million, increasing by 29% when compared with the year of 2004. The operating profit on retailing and uniform included the loss of the newly developed uniform business. The retailing business recorded a net operating profit of HK$3 million for the year of 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total outstanding bank borrowings were reduced to HK$369 million at the balance sheet date compared to HK$453 million as at 31 December 2004. Our gearing ratio of non-current liabilities to shareholders' funds was 10% at the balance sheet date. Current ratio has been maintained at a healthy level of 1.4.

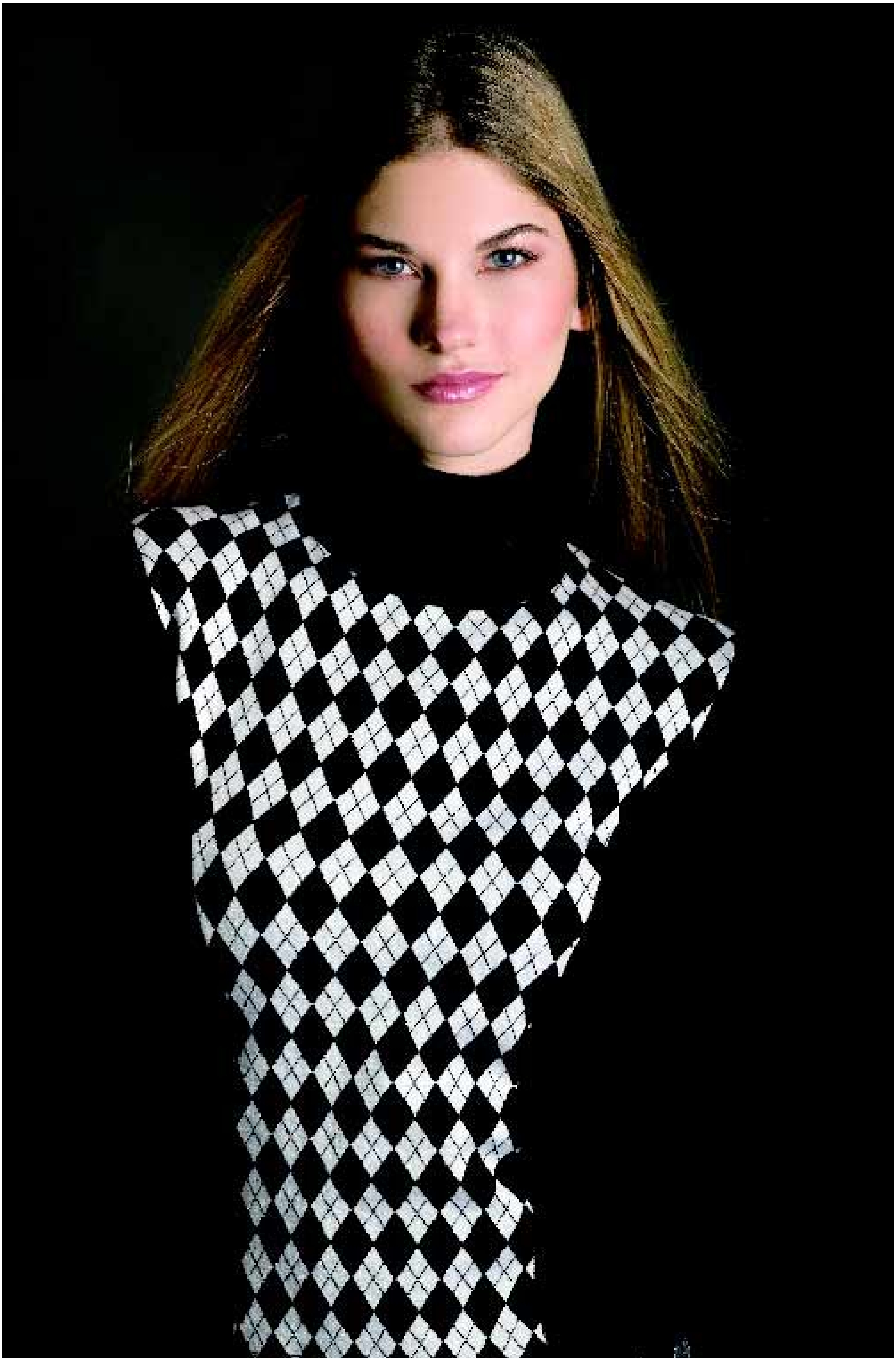
The Group's total cash and bank balances were HK$205 million at the balance sheet date. Based on the comfortable cash position and the ample banking facilities available, the Group had a very strong working capital and liquidity to meet the operating needs.

The Group's receivables were mainly denominated in US dollars. Bank borrowings were denominated in US dollars, Hong Kong dollars and Renminbi. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk is minimal. Foreign exchange risks on the recent revaluation of Renminbi is managed by the Group with the use of forward contracts to hedge against the exchange fluctuation. The Group had no borrowings at fixed interest rates during the period.

The Group has no material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK$98 million, there were no charges on the Group's assets.

TAX AUDIT

The Inland Revenue Department (IRD) initiated a tax audit on certain group companies in February 2006 for the years of assessment from 1999/2000 to 2004/2005. The management is of the opinion that, in all the years, full Hong Kong tax provision were made on the Hong Kong sourced income. After consulting with professional advisers, the management is of the opinion that the existing provisions are adequate since the tax audit is still at a preliminary fact-finding stage with different views being exchanged with the IRD and the outcome of the tax audit cannot be readily ascertained with any degree of accuracy.



Management Discussion and Analysis:

IMPACT OF CHANGES IN ACCOUNTING STANDARDS

The Group has adopted certain new or revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred as to the "NEW HKFRSs") in the current year. The impacts of these New HKFRSs are set out as below.

Pursuant to HKAS 17 "Leases", up-front payments made for leasehold land with a carrying value of approximately HK$46 million as at 31 December 2005 (31 December 2004: HK$45 million) are reclassified as prepaid lease payments instead of property, plant and equipment, which are expensed in the consolidated income statement on a straight-line basis over the period of the leases.

In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", the Group's discounted bills and factored trade receivables with recourse of approximately HK$37 million, which were previously not recognised but treated as contingent liabilities, have been re-recognised as bills and trade receivable of the Group and the corresponding proceeds received have been accounted for as bank advances.

In accordance with HKAS 40 "Investment Property", the Group has adopted the fair value model in accounting for its investment property. At the balance sheet date, the investment property has been included at market value as determined by a professional valuer, with fair value changes of HK$22.4 million recognised in the consolidated income statement.

HUMAN RESOURCE

The total number of employees of the Group including jointly controlled entities as at the balance sheet date was about 12,000. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share options were granted to employees during the year.

CAPITAL EXPENDITURE

There was no material capital expenditure during the year.