

## Directors' Report

The directors present their annual report and the audited financial statements of the Group and of the Company for the year ended March 31, 2006.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments, which contributed for more than 90% of the Group's turnover and profit for the year. The activities of its principal subsidiaries and associates are set out in notes 20 and 21, respectively to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 18% and 48% respectively. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 33 of the annual report.

An interim dividend of HK5.5 cents per share amounting to HK\$19,368,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK11.50 cents per share to the shareholders on the register of members on September 5, 2006, amounting to HK\$40,496,000.

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2006 represented the retained profits of HK\$167,343,000.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 90 of the annual report.

### INVESTMENT PROPERTIES

The Group revalued all of its investment properties at March 31, 2006. The increase in fair value of investment properties of HK\$17,594,000 is credited to the consolidated income statement. Details of the movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

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### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$24,117,000 on the acquisition of property, plant and equipment for the purpose of expanding the Group's business.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 17 to the financial statements.

### 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 shares.

### DIRECTORS

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

#### Executive directors:

Benson Tung Wah Wing (*Chairman*)  
Alan Lam Yiu On (*Managing Director*)  
Raymond Tung Wai Man

#### Non-executive directors:

Tung Siu Wing  
Kevin Lee Kwok Bun

#### Independent non-executive directors:

Johnny Chang Tak Cheung  
Tony Chang Chung Kay  
Woo Kwong Hon  
Joseph Wong King Lam

Pursuant to Article 84(A) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years or within such other period as the Stock Exchange may from time to time prescribe. Accordingly, Messrs. Raymond Tung Wai Man, Kevin Lee Kwok Bun and Johnny Chang Tak Cheung retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each of the non-executive directors is the period up to his retirement by rotation in accordance with Article 84(A) and 87 of the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any unexpired 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' Report

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

At March 31, 2006, the interests and short positions of the directors, the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

#### Long positions (Ordinary shares of HK\$0.20 each of the Company)

Name of director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Benson Tung Wah Wing	Interest of controlled corporation (note a)	125,049,390	35.51%
Alan Lam Yiu On	Beneficial owner	250,000	0.07%
Raymond Tung Wai Man	Beneficial owner	400,000	0.11%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	2.56%
Johnny Chang Tak Cheung	Beneficial owner/ Beneficiary of a trust (note b)	2,591,680	0.74%
Tony Chang Chung Kay	Beneficial owner	3,494,760	0.99%
Joseph Wong King Lam	Beneficial owner	1,390	0.000395%

#### Notes:

- (a) Mr. Benson Tung Wah Wing has an equity interest of 100% in Corona Investments Limited, which owned 125,049,390 ordinary shares in the Company as at March 31, 2006, representing 35.51% of the issued share capital of the Company.
- (b) Mr. Johnny Chang Tak Cheung is the beneficiary owner who owned 151,680 ordinary shares in the Company as at March 31, 2006. He is also a beneficiary of a trust, Chaco International Limited, which owned 2,440,000 ordinary shares in the Company as at March 31, 2006.

Save as disclosed above, as at March 31, 2006, none of the directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept, pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## Directors' Report

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### SUBSTANTIAL SHAREHOLDERS

At March 31, 2006, shareholders who had interests and short positions in the shares and underlying shares of the Company, other than those mentioned in directors' interest, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Corona Investment Limited (note a)	Beneficial owner	125,049,390	35.51%
Veer Palthe Voûte NV (note b)	Investment manager	35,319,000	10.03%
Dresdner Bank Aktiengesellschaft (note b)	Interest of controlled corporation	35,319,000	10.03%
Allianz Aktiengesellschaft (note b)	Interest of controlled corporation	35,319,000	10.03%

*Notes:*

- (a) The shares have been disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.
- (b) Veer Palthe Voûte NV is 100% indirectly owned by Dresdner Bank Aktiengesellschaft, which is in turn 81.1% indirectly owned by Allianz Aktiengesellschaft.

Other than as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at March 31, 2006.

## Directors' Report

### CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 40(a) to the financial statements.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group in respect of fabric print and artwork services from Fine Print Studio Inc. to assist the directors to evaluate whether the transactions:

- a. have received approval of the Board of Directors;
- b. have been entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties;
- c. have been entered into in accordance with the terms of the relevant agreement governing such transactions; and
- d. were below the amount of US\$480,000 (equivalent to approximately HK\$3,744,000) as set out in the announcement of the Company dated January 2, 2004.

The auditors of the Company have performed procedures in respect of the transactions in accordance with Hong Kong Standard on Related Services 4400 *"Engagements to Perform Agreed Upon Procedures Regarding Financial Information"*.

The auditors have reported their factual findings on these procedures to the Board of Directors. The independent non-executive directors of the Company have reviewed the transactions and the findings and confirmed that the transactions are:

- a. in the ordinary and usual course of business of the Group;
- b. on normal commercial terms; and
- c. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### CORPORATE GOVERNANCE

The Company has an audit committee consisting of three independent non-executive directors of the Company. The committee meets regularly with the external auditors and management to review the interim and yearly financial statements of the Group.

Pursuant to Appendix 23 of the Listing Rules, details of Corporate Governance Report are set out on pages 18 to 24 of the Annual Report.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

### EMOLUMENT POLICY

The emoluments of the directors of the Company are determined, among other things, with reference to their duties and responsibilities in the Company, their experience in the industry, prevailing market conditions and the Group's performance.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended March 31, 2006.

### DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$89,000.

### AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board  
**Benson Tung Wah Wing**  
*Chairman*

Hong Kong, July 12, 2006