

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

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 October 2004 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 21 April 2005 (the "Group Reorganisation"). Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in notes 2.1 and 16 to the financial statements.

On 12 May 2005, the shares of the Company were listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 84.

A special interim dividend of HK2 cents per ordinary share was paid on 23 September 2005. Such distribution was made out of the Company's contributed surplus arising as a result of the Group Reorganisation.

An interim dividend of HK2.5 cents per ordinary share was paid on 27 January 2006.

The directors recommend the payment of a final and a special dividend of HK2.60 cents and HK3.65 cents per ordinary share, respectively, in respect of the year to shareholders on the register of members on 25 August 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 August 2006 to Friday, 25 August 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final and special dividends, if approved, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 22 August 2006.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 12 May 2005, after deduction of related issuance expenses, amounted to about HK\$112.4 million. These proceeds were applied during the year ended 31 March 2006 in accordance with the proposed applications set out in the Prospectus as follows:

	Per Prospectus HK\$'000	Utilised HK\$'000	Balances as at 31 March 2006 HK\$'000
Expansion of distribution network	46,000	(18,032)	27,968
Expansion and upgrade of production facilities	15,000	(3,302)	11,698
Development of "80/20" brandname	14,000	(3,129)	10,871
Marketing of in-house brandname	13,000	(3,085)	9,915
Diversification into high-end fashion market	4,000	(4,000)	–
Enhancement of in-house design and merchandising team	2,000	(1,443)	557
Sourcing of goods and fabrics	8,000	(8,000)	–
General working capital	10,400	(10,400)	–
	112,400	(51,391)	61,009

The unutilised balance was placed by the Company in short term bank deposits.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the year, as extracted from the current year's consolidated financial statements, and the pro forma consolidated results and assets and liabilities of the Group for the four preceding years as extracted from last year's pro forma consolidated financial statements of the Group and the Prospectus which also set out the details of the basis of presentation, is set out on page 4 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

BORROWINGS

Details of the Group's borrowings at the balance sheet date are set out in note 24 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's authorised and issued share capital during the year and the Company's share option scheme adopted on 22 April 2005 are set out in note 25 to the financial statements.

No share options have been granted or agreed to be granted under the Company's share option scheme during the year and up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately HK\$287,659,000, of which approximately HK\$9,117,000 and approximately HK\$12,799,000 have been proposed as final and special dividends, respectively, for the year.

Included in the total distributable reserves of the Company is the share premium account in the amount of approximately HK\$77,447,000, which may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable donations totalling HK\$384,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales of the Group for the year. Purchases from the Group's largest supplier and the five largest suppliers accounted for about 10% and 30% respectively of the Group's total purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Wong Yui Lam (*Chairman*)
Madam Tong She Man, Winnie
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent non-executive directors:

Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

In accordance with article 87 of the Company's articles of association, Madam Tong She Man, Winnie, Madam Lee Yuk Ming and Mr. Yeung Yat Hang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive directors and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 17 to 19 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 May 2005. The service contracts will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other without payment of compensation. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the directors, be adjusted and they will each be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the directors for such year shall not exceed HK\$5 million. Each of the executive directors will be entitled to all the reasonable out-of-pocket expenses and medical expenses, housing benefit and reimbursements, the use of a car and the fuel and maintenance (including insurance) expenses in respect of the car used by him/her. The total remuneration (including discretionary bonus and benefits in kind) payable to the executive directors is HK\$3,604,000 for the year ended 31 March 2006.

Each of the independent non-executive directors has taken up the role as an independent non-executive director for an initial term of one year commencing from 1 May 2005 and extended for one year. The total fees paid to the independent non-executive directors were HK\$330,000 for the year ended 31 March 2006.

Apart from the foregoing, no director 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 Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests and short positions of the directors and chief executives 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were recorded in the register required to be kept by the Company 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 Issuers (the "Model Code") of the Listing Rules, were as follows:

(a) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest				Total	Approximate percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Through a discretionary trust/as beneficiary or trustee of trust		
Mr. Wong Yui Lam	2,100,000 (note 1)	37,626,000 (note 1)	34,152,000 (note 1)	175,178,000 (note 1)	249,056,000	71.03%
Madam Tong She Man, Winnie	2,100,000 (note 2)	34,152,000 (note 2)	37,626,000 (note 2)	175,178,000 (note 2)	249,056,000	71.03%
Mr. Yeung Yat Hang	2,430,000	-	-	-	2,430,000	0.69%

Notes:

- 2,100,000 shares are jointly held by Mr. Wong Yui Lam and his spouse, Madam Tong She Man, Winnie, both being the executive directors of the Company. 34,152,000 shares are held by Wonder View Limited ("Wonder View"), the entire issued share capital of which is beneficially owned by Mr. Wong Yui Lam. 175,178,000 shares are held by Huge Treasure Investments Limited ("Huge Treasure") as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam and Madam Tong She Man, Winnie, both being the executive directors of the Company. Mr. Wong Yui Lam is also deemed to be interested in the 37,626,000 shares through the interest of his spouse, Madam Tong She Man, Winnie under the SFO.
- 2,100,000 shares are jointly held by Madam Tong She Man, Winnie and her spouse, Mr. Wong Yui Lam, both being the executive directors of the Company. 37,626,000 shares are held by Great Elite Corporation ("Great Elite"), the entire issued share capital of which is beneficially owned by Madam Tong She Man, Winnie. 175,178,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam and Madam Tong She Man, Winnie, both being the executive directors of the Company. Madam Tong She Man, Winnie, is also deemed to be interested in the 34,152,000 shares through the interest of her spouse, Mr. Wong Yui Lam under the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES*(Continued)***(b) Long positions in shares of associated corporations**

Name of associated corporation	Name of director	Capacity	Number of shares in the associated corporation	Percentage of shareholding in the associated corporation
Huge Treasure (as trustee of The Wong & Tong Unit Trust)	Mr. Wong Yui Lam	Beneficial owner	1 share of US\$1 Long position	50%
	Madam Tong She Man, Winnie	Beneficial owner	1 share of US\$1 Long position	50%
Tough Jeans Limited	Mr. Wong Yui Lam	Beneficial owner (note)	3 non-voting deferred shares of HK\$1 each Long position	60% of the issued non-voting deferred shares
	Madam Tong She Man, Winnie	Beneficial owner (note)	2 non-voting deferred shares of HK\$1 each Long position	40% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Mr. Wong Yui Lam	Beneficial owner (note)	1 non-voting deferred share of HK\$1 each Long position	50% of the issued non-voting deferred shares
	Madam Tong She Man, Winnie	Beneficial owner (note)	1 non-voting deferred share of HK\$1 each Long position	50% of the issued non-voting deferred shares

Note:

Mr. Wong Yui Lam and Madam Tong She Man, Winnie are non-voting shareholders of these companies. The shareholders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, as at 31 March 2006, none of the directors and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be 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 pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 25 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisitions of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the following shareholders (other than the directors and chief executives of the Company whose interests and short positions in the shares and underlying shares of the Company are set out above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to the SFO:

Name of shareholder	Position	Number of Shares			Approximate percentage of the Company's issued share capital
		Directly beneficially owned	Through discretionary trust/as beneficiary or trustee of trust	Total	
Huge Treasure (note 1)	Long position	175,178,000	–	175,178,000	49.96%
East Asia International Trustees Limited ("EAIT") (note 2)	Long position	–	175,178,000	175,178,000	49.96%
Wonder View (note 3)	Long position	34,152,000	–	34,152,000	9.74%
Great Elite (note 4)	Long position	37,626,000	–	37,626,000	10.73%

Notes:

- The 175,178,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust established by Mr. Wong Yui Lam and Madam Tong She Man, Winnie, for the benefit of the issue of Mr. Wong Yui Lam and Madam Tong She Man, Winnie.
- EAIT is a licensed trustee in the British Virgin Islands and acts as trustee of The Wong & Tong Family Trust. By virtue of its capacity as trustee of The Wong & Tong Family Trust, EAIT is deemed to be interested in the shares held by Huge Treasure (as trustee of The Wong & Tong Unit Trust) under the SFO.
- Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong Yui Lam, an executive director and the chairman of the Company.
- Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong She Man, Winnie, an executive director of the Company.

Save as disclosed above, as at 31 March 2006, no person, other than the directors or chief executives of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, has any interests or short positions in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing Connected transactions

The following continuing connected transactions are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules and the respective amounts have not exceeded the relevant annual cap approved by the Stock Exchange as disclosed in the Prospectus.

Licence of software and provision of services

The Group entered into an agreement for the licence of software and provision of services with Netideas Limited ("Netideas"), which is 100% beneficially owned by Mr. Wong Yui Hong, a brother of Mr. Wong Yui Lam, an executive director, and accordingly, Mr. Wong Yui Hong is a connected person of the Company under the Listing Rules. Under the agreement, Netideas grants to the Group the licence (the "Licence") and right to use the relevant modules of a software named Net-Retail Management System (the "Software") and the documentation relating to the Software in connection with the management of the retail business of the Group. The agreement is for a term of four years commencing from 1 April 2004 and expiring on 31 March 2008.

For the year ended 31 March 2006, the aggregate amount paid by the Group to Netideas for the Licence amounted to approximately HK\$1,275,000 which has been accounted for as expenses in the Group's income statement.

Sourcing of equipment

Under the same agreement above, Netideas shall source for and sell to the Group the computer equipment with relevant hardware at prices no less favourable than the market prices of equipment for the purposes of replacement, upgrading the system or catering for the expansion and development of the Group. This computer equipment and hardware will be used in the Group's retail stores, warehouse and office.

For the year ended 31 March 2006, the aggregate amount paid by the Group for the sourcing of equipment was approximately HK\$1,079,000.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business;
- (2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and
- (3) 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.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The following continuing connected transactions are exempt from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules and are included herein for information only.

Rental expenses paid to Mr. Chan Chi Keung

The Group has entered into a tenancy agreement for a term of two years from 1 July 2005 to 30 June 2007 with Mr. Chan Chi Keung, a director of certain subsidiaries of the Company and a then minority shareholder of the Company, for the office premises at Workshop 10, 4th Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

Under the agreement, the Group is required to pay to Mr. Chan Chi Keung a monthly rental of HK\$7,000 which is comparable to the market price available from independent third parties.

The rental paid by the Group to Mr. Chan Chi Keung under the tenancy agreement amounted to HK\$81,000 for the year ended 31 March 2006.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float since the listing of the shares on the Stock Exchange and as at the date of this report.

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 23 of this annual report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Wong Yui Lam

Chairman

Hong Kong

13 July 2006