

REPORT OF THE DIRECTORS

The directors of the Company (the “Directors”) submit their report together with the audited accounts for the year ended 31st March, 2006.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the sourcing, subcontracting, marketing and selling of garments in export business and selling of sportswear products in licensee business.

An analysis of the Group’s results, assets and liabilities by business and geographical segment is set out in note 5 to the accounts.

Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group’s major customers and suppliers are as follows:

	2006	2005
	%	%
Sales		
— The largest customer	19	33
— Five largest customers combined	53	85
Purchases		
— The largest supplier	19	29
— Five largest suppliers combined	65	74

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company’s share capital) had an interest in the major customers or suppliers as noted above.

Analysis of the Group’s Performance

An analysis of the Group’s performance is shown in the Chairman’s Statement on pages 2 to 8.

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Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 30.

The Directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2006 (2005: HK\$ Nil).

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 22 to the accounts.

Statement of Changes in Equity

The consolidated statement of changes in equity of the Group during the year is shown on page 34.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$47,400 (2005: HK\$290,000).

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 15 to the accounts.

Investment Properties

Details of the investment properties held by the Group are set out on page 89.

Share Capital

Details of the movements in share capital of the Company are set out in note 22 to the accounts.

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Distributable Reserves

The Company had no distributable reserves as at 31st March, 2006 (2005: HK\$ Nil).

Five-Year Financial 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 88.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the Financial Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Financial Year.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31st March, 2006 are set out in note 33 to the accounts.

Analysis of Bank Loans, Overdrafts and Other Borrowings

The Group's bank loans and other borrowings as at 31st March, 2006 were repayable over the following periods:

	Trust receipts and other bank loans	Other borrowings
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	46,625	261
In the second year	464	63
In the third to fifth year inclusive	7,754	—
	<hr/> 54,843	<hr/> 324

Details of a loan from a director are set out in note 30(b) to the accounts.

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Directors

The Directors during the year and up to the date of this report are as follow:

Mr. Wong Tek Sun, Takson (*Chairman*)
Ms. Pang Shu Yuk, Adeline Rita
Mr. Tsao Kwang Yung, Peter* (*deceased on 5th June, 2005*)
Mr. Lee Kwok Cheung*
Mr. Wong Tak Yuen**
Mr. Zheng Jie*
Mr. Chau Tsun Ming, Jimmy* (*appointed on 21st July, 2005*)

* *independent non-executive directors*

** *non-executive director*

All the current Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Bye-law 87 of the Company's Bye-laws.

In accordance with the Company's Bye-laws, Mr. Wong Tek Sun, Takson and Mr. Lee Kwok Cheung will retire by rotation and, being eligible, offers themselves for re-election at the forthcoming annual general meeting of the Company.

Directors' Service Contracts

Each of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita has entered into a service contract with the Company which is determinable within one year without payment of compensation other than statutory compensation. Apart from the aforesaid, none of the Directors, including the Directors proposed for re-election at the forthcoming annual general meeting of the Company, has entered into any service contract with the Company.

Details of the Directors' emoluments are set out in note 13 to the accounts.

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Directors and Senior Management

Biographical details of Directors and senior management of the Group are set out as below:

Executive Directors

Mr. Wong Tek Sun, Takson, aged 55, is Chairman and Chief Executive Officer of the Group. He received his tertiary education in the PRC before he co-founded the Group in 1972. He has over 30 years' experience and in-depth knowledge of marketing in the US and European markets and of the manufacturing of outerwear garments in the PRC and Hong Kong. He is responsible for the development of corporate planning and strategy, sales and marketing and overall management of the Group. Mr. Wong is also the director of 12 subsidiaries of the Company.

Ms. Pang Shu Yuk, Adeline Rita, aged 47, is Deputy Chairman and Chief Operations Officer of the Group and is responsible for overseeing merchandising, production planning and control, and various operational and administrative matters of the Group. She holds a higher diploma in fashion and clothing technology from the Hong Kong Polytechnic University. She joined the Group in 1983 and is the wife of Mr. Wong Tek Sun, Takson. Ms. Pang is also the director of 11 subsidiaries of the Company.

Non-Executive Directors

Mr. Lee Kwok Cheung, aged 57, is a director of Management Capital Limited, a company engaged in the business of direct investment and financial advisory. Mr. Lee was the chief executive of Polytec Holdings Limited, a textile and real estate group, from 1994 to 1995, and the chief executive of Giordano Holdings Limited from 1991 to 1993. Mr. Lee has over eleven years' of experience in banking. He was appointed as an independent non-executive director of the Company in September 1997.

Mr. Zheng Jie, aged 38, has extensive sales and marketing experience in the sports market in PRC. He holds a bachelor's degree of Management Science from Fudan University. He was appointed as an independent non-executive director of the Company in September 2004.

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Directors and Senior Management *(continued)*

Non-Executive Directors *(continued)*

Mr. Chau Tsun Ming, Jimmy, aged 33, was appointed as an independent non-executive director of the company since July 2005. Mr. Chau is the Chief Financial Officer and Chief Operation Officer of 6688.com, an e-commerce and m-commerce service provider based in Beijing, China. He holds a Bachelor of Commerce degree from the University of Toronto, Canada, and is a member of the American Institute of Certified Public Accountants. Before becoming an entrepreneur, Mr. Chau had spent five years in the Listing Division of Hong Kong Exchange and Clearing Limited.

Mr. Wong Tak Yuen, aged 50, has extensive experience in the PRC market for more than 20 years. He is a brother of Mr. Wong Tek Sun, Takson. He was appointed as a non-executive director of the Company in January, 2003.

Senior Management

Mr. Chan Siu Man, Barry, aged 38, is Chief Financial Officer and Company Secretary of the Company and is responsible for the Group's overall financial and company secretarial matters. Mr. Chan holds a bachelor's degree in Accountancy from The Hong Kong Polytechnic University. He also holds a master's degree in Business Administration from a university in Australia. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He joined the Group in 2006. Prior to joining the Group, he had more than 10 year's experience in auditing, accounting and financial matters in various commercial and industrial sectors.

Mr. Peng Xin, aged 38, is the Group Operation Director of the Company and he is responsible for sales and marketing strategy, business planning and operation control of the Group's licensee business in the PRC. He holds a bachelor degree of engineering in Tianjian Science and Engineering University. Prior to joining the Group in 2006, he had more than 13 years of experience in sales and marketing experience in the PRC.

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Directors and Senior Management *(continued)*

Senior Management *(continued)*

Ms. Li Yuk Fong, Kerly, aged 48, is Operation Control Manager of the Group. She holds an international diploma in computer studies from NCC The National Centre for Information Technology in the United Kingdom and a diploma in management studies awarded jointly by the Hong Kong Polytechnic University and the Hong Kong Management Association. She is an associate member of the Hong Kong Institute of Human Resource Management. Prior to joining the Group in 1990, she had worked in the systems and control field for more than four years.

Ms. Shirley Sun, aged 35, is our General Manager of Administration in the PRC. She graduated from the East China Normal University. She joined the Group in 1994 and she has held various senior administrative positions in the Group.

Directors' Interests in Contracts

Except for the Directors' service contracts as mentioned above, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries its holding companies or its fellow subsidiaries, was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year.

Directors' and Chief Executives' Benefits from Rights to Acquire Shares or Debentures

During the year, the Company, its subsidiaries, its holding companies or its fellow subsidiaries were not a party to any arrangement to enable the Directors and chief executives of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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Directors' and Chief Executives' Interests and short positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 31st March, 2006, the interests and long positions of each Director, chief executive 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 ("SFO")) as recorded in the register required to be kept under 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") were as follows:

Long positions Name of director	Number of ordinary shares in the Company beneficially held					
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage of holding
Wong Tek Sun, Takson	4,621,600	10,800,000	285,120,000 (Note 1)	—	300,541,600	58.1%
Pang Shu Yuk, Adeline Rita	10,800,000	4,621,600	285,120,000 (Note 1)	—	300,541,600	58.1%

Note:

- (1) Such shares are held by Takson International Holdings Limited, the entire issued share capital of which is held by Wangkin Investments Inc. ("WII") as trustee of the Wangkin Investments Unit Trust (the "Unit Trust"). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the "Family Trust"). The discretionary beneficiaries of the Family Trust are, inter alia, Ms. Pang Shu Yuk, Adeline Rita, Mr. Wong Chi Wang, Calvin, and Mr. Wong Chi Kin, Christopher, both the children of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita.

Mr. Wong Tek Sun, Takson owns 50% of the issued share capital of WII and his children as two of the discretionary beneficiaries of the Family Trust are deemed to have interests in the 285,120,000 shares in the issued share capital of the Company under the SFO.

Ms. Pang Shu Yuk, Adeline Rita, owns 50% of the issued share capital of WII and she, as one of the discretionary beneficiaries of the Family Trust is deemed to have interests in the 285,120,000 shares in the issued share capital of the Company under the SFO.

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Directors' and Chief Executives' Interests and short positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations *(continued)*

Save as disclosed above, as at 31st March, 2006, none of the Directors and chief executives of the Company (including their spouse and children under 18 years of age) had any other interests or short positions in the shares or underlying shares in, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at 31st March, 2006, the interests and short positions of substantial shareholders (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares held	Percentage
Wangkin Investments Inc. <i>(Note)</i>	Interest of a controlled corporation	285,120,000	55.1%
Takson International Holdings Limited <i>(Note)</i>	Beneficial owner	285,120,000	55.1%

Note:

Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.

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Substantial Shareholders *(continued)*

Save as disclosed herein, as at 31st March, 2006, no other person is recorded in the register of substantial shareholders maintained under Section 336 of the SFO as having an interest or short positions in 5% or more of the issued share capital of the Company.

Compliance with the Code on Corporate Governance Practices

The Company has complied with all the Code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31st March, 2006, except for the deviations from Code Provisions A.2.1, A.4.1, A.4.4 and B.1.1. Further details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 27.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the directors and the Company's auditors in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit and the internal controls and risk evaluation. Currently, the Audit Committee comprises two independent non-executive directors, namely, Mr. Lee Kwok Cheung and Mr. Chau Tsun Ming, Jimmy, and a non-executive director, Mr. Wong Tak Yuen. Two meetings were held during the year.

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Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

Management Contracts

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Confirmation of Independent Non-Executive Directors

The Company has received, from each of the independent non-executive directors, namely, Mr. Lee Kwok Cheung, Mr. Zheng Jie, Mr. Chau Tsun Ming, Jimmy, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

Connected Transaction

During the year, a subsidiary of the Company disposed 25% interest in Takson (Suzhou) Garment Manufacturing Co Ltd to Chongqing Union-4 at a consideration of RMB1,837,000. Chongqing Union-4, by virtue of its substantial ownership in Takson (Suzhou) Garment Manufacturing Co Ltd and thus is a connected person of the Company.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st March, 2006.

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Auditors

The accounts have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Wong Tek Sun, Takson

Chairman

Hong Kong, 27th July, 2006