

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the year ended 30th June, 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and trading of garments, proprietary trading in securities and investment holding.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June, 2006 are set out in the consolidated income statement on page 21.

The Directors do not recommend the payment of a final dividend.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the financial statements.

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of this Annual Report.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due: or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Directors, as at 30th June, 2006, the Company's reserves available for distribution to shareholders consisted of contributed surplus of HK\$15,012,000 (2005: HK\$15,012,000) and accumulated loss of HK\$1,895,000 (2005: accumulated profits HK\$148,809,000).

The contributed surplus of the Company represents the excess of separable net assets acquired from the acquisition of shares in First Sign Investments Limited by the Company pursuant to the group reorganisation in 1995 over the nominal amount of the Company's shares issued as the consideration for such acquisition, less dividends distributed from pre-reorganisation reserves of the subsidiaries.

Directors' Report**PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

The Group's investment properties were revalued at 30th June 2006. The net increase in fair value of investment properties which has been credited to the income statement, amounted to HK\$1,520,000.

Details of these and other movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 37.2% of the Group's turnover for the year ended 30th June, 2006, with the largest customer accounted for approximately 17.8%. The five largest suppliers of the Group together accounted for approximately 54.6% of the Group's total purchases for the year ended 30th June, 2006, with the largest supplier accounted for approximately 23.9%.

None of the Directors, or any of the associate of a Director or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has an interest in the share capital of any of the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors:

Mr. Lau Tung Hoi (Chairman)

Ms. Yan Miu King (Deputy Chairman)

Non-Executive Director:

Mr. Wu Wing Kit

Independent Non-Executive Directors:

Mr. Man Mo Leung

Mr. Ho Yau Ming

Mr. Hung Kwok Keung, Keith

With the exception of the Chairman of the Board, all other Directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

In accordance with the provisions of the Company's Bye-laws, Mr. Man Mo Leung and Mr. Ho Yau Ming will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The term of office of each Non-Executive Director and Independent Non-Executive Directors is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

No Director being 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 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 30th June, 2006, the interests of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO") as 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 of Hong Kong Limited the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lau Tung Hoi	Held by trust (<i>Note</i>)	867,010,000	71.29%
Ho Yau Ming	Beneficial owner	500,000	0.04%
Yan Miu King	Beneficial owner	370,000	0.03%

Note:

These shares are held by Linwood Services Ltd. ("Linwood"), 48 shares of Linwood (representing the entire issued share capital of Linwood) are owned by Money Belt Worldwide Limited ("Money Belt"). Money Belt is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by HSBC International Trustee Limited as trustee of a discretionary trust, the discretionary objects of which include Mr. Lau Tung Hoi and his family members.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2006, which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 29 to the financial statements.

No option under the above schemes has been granted or exercised since the adoption of the schemes and no option was outstanding as at 30th June, 2006.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options" above, at no time during the year was the Company, any of its holding companies or subsidiaries a party to any arrangements to enable the Directors of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the operating lease rental paid for a Director's accommodation to a landlord in which a Director of the Company has a beneficial interest, as disclosed in note 31 to the financial statements, no other contracts of significance to which the Company, any of its holding companies or 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.

Directors' Report**SUBSTANTIAL SHAREHOLDERS**

As at 30th June, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, apart from the interests disclosed above in respect of Mr. Lau Tung Hoi, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of Mr. Man Mo Leung, Mr. Ho Yau Ming and Mr. Hung Kwok Keung, Keith an annual confirmation of his independence pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Company considers the Independent Non-Executive Directors are independent.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the code provisions same as disclosed in the Corporate Governance Report and most of the recommended best practices in the Code on Corporate Governance Practices as set out in the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30th June, 2006.

AUDITORS

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

On behalf of the Board

LAU TUNG HOI

Chairman

Hong Kong, 12th October, 2006