

The directors submit herewith their annual report together with the audited financial statements for the year ended 30 June 2006.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing, retailing and distribution of apparel and property development.

An analysis of revenue and contribution to results of the Company and its subsidiaries (collectively referred to as the "Group") by business segments and geographical area of customers for the financial year is set out in note 5 to the financial statements.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries at 30 June 2006 are set out in note 14 to the financial statements.

## **FINANCIAL STATEMENTS**

The results of the Group for the year ended 30 June 2006 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 27 to 74.

## **DIVIDENDS AND RESERVES**

The directors do not recommend the payment of any dividend for the year ended 30 June 2006 (2005: HK\$Nil).

Movements in reserves during the year are set out in note 21 to the financial statements.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The Group's five largest customers combined did not exceed 30% of the Group's total turnover for the year ended 30 June 2006.

The Group's five largest suppliers combined did not exceed 30% of the Group's total purchases for the year ended 30 June 2006.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of changes in the property, plant and equipment during the year are set out in note 11 to the financial statements.

## PROPERTIES UNDER DEVELOPMENT

A summary of major properties held for/under development is set out on page 75.

## DIRECTORS

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

### Executive directors

Tan Sim Chew, *Chairman*

Zhong Ma Ming, *Managing Director* (appointed on 6 March 2006)

Fu Zi Cong

Lo King Fat, *Lawrence*

Chen Miao Zhu, *Managing Director* (resigned on 6 March 2006)

### Independent non-executive directors

Wong Kwai Sang, *Kays*

Tsang Chun Pong

Li Chun Ming, *Raymond*

In accordance with the Company's Articles of Association, Mr. Tan Sim Chew, Mr. Zhong Ma Ming, Mr. Fu Zi Cong and Mr. Li Chun Ming, Raymond shall retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

The biographical details of directors are set out in page 9.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The service contracts of the three independent non-executive directors are: Mr. Wong Kwai Sang, Kays, Mr. Tsang Chun Pong and Mr. Li Chun Ming, Raymond for a term of 3 years commencing on 3 July 2005, 20 July 2005 and 29 September 2004. Their remuneration is HK\$60,000 per annum subject to any adjustments as the board of directors may approve from time to time.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

As at 30 June 2006, the interests and short positions of the directors 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 (the "SFO")) as recorded in the register required to be kept by the Company under 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 (the "Model Code") were as follows:

**(a) Long positions in shares in the Company**

	<b>Number of ordinary shares of HK\$0.01 each (note)</b>	<b>Percentage of total issued shares at 30 June 2006</b>
Tan Sim Chew	261,965,226	19.67
Fu Zi Cong	574,000	0.04

*Note:* These shares are held by the respective directors personally as beneficial owner.

**(b) Long positions in underlying shares of equity derivatives of the Company**

Share options were granted to certain directors of the Company pursuant to the share option scheme of the Company. Details of the interests of the directors in share options granted by the Company are set out under the section "Share Option Scheme" of this report.

Save as disclosed above, as at 30 June 2006, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation which have been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEMES

The share option scheme which was adopted by the Company on 5 May 1997 ("Old Scheme") was originally due to expire on 4 May 2007. As a result of certain changes to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board proposed and the shareholders in an extraordinary general meeting on 16 December 2005 approved early termination of the Old Scheme and adoption of a new share option scheme ("New Scheme"). After termination of the Old Scheme, no more option can be granted pursuant the Old Scheme.

### Terms of Old Scheme

Under the Old Scheme, the Board might, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board which would not be less than 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher. The maximum number of shares in respect of which options might be granted (together with shares in respect of which any options remaining outstanding) under the Old Scheme of the Company might not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Old Scheme.

No option might be granted to any one employee which, if exercised in full, would result in such employee becoming entitled to subscriber for such number of shares as, when aggregated with the total number of shares already issued and remaining issuable to him or her under the Share Option Scheme, would exceed 25% of the aggregate number of shares for the time being issued and are issuable under the Share Option Scheme.

The exercisable period of an option should not exceed a period of three years commencing on the expiry of six months after the date of the option was accepted and expiring on the last day of such three years period. The Share Option Scheme was in force for a period of 10 years commencing on 5 May 1997.

### Terms of New Scheme

The purpose of the New Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, and/or providing benefits to the participant and to provide the participant with the opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the participant for the betterment of business and profitability of the Group and its shareholders as a whole.

The Board may, at their discretion, invite any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the New Scheme will be highest of (i) the closing price of the shares in the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day), (ii) a price being the average of the closing prices of the shares in the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

The total number of shares in the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in the Company in issue as at the date of approval of the New Scheme. An option may be exercised during a period to be determined by the Directors in its absolute discretion and in any even such period shall not be longer than 10 years from the date upon which the option is granted.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the New Scheme in any 12-month period shall not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting. The New Scheme will remain in force for a period of 10 years from 16 December 2005.

## Movement of share options granted

At 30 June 2006, the following persons had the following personal interests in the options to subscribe for shares in the Company granted under the share option schemes. Each share option entitles its holder to subscribe for one share of HK\$0.01 each in the Company.

### Old Scheme

Directors	No. of options granted during the year	Date granted	Period during which options are exercisable	Subscription price per share HK\$	Cancelled during the year	No. of options outstanding at 30 June 2006	% of issued share capital at 30 June 2006
Tan Sim Chew	13,000,000	16 August 2005	17 February 2006 to 16 February 2009	0.058	13,000,000	-	-
Fu Zi Cong	13,000,000	16 August 2005	17 February 2006 to 16 February 2009	0.058	13,000,000	-	-
Lo King Fat, Lawrence	13,000,000	16 August 2005	17 February 2006 to 16 February 2009	0.058	13,000,000	-	-
Chen Miao Zhu *	13,000,000	16 August 2005	17 February 2006 to 16 February 2009	0.058	13,000,000	-	-
Aggregate of employees	26,000,000	16 August 2005	17 February 2006 to 16 February 2009	0.058	26,000,000	-	-
	<u>78,000,000</u>				<u>78,000,000</u>	<u>-</u>	

\* Mdm. Chen Miao Zhu resigned as a director of the Company on 6 March 2006.

The closing price of the shares immediately before the date on which the above options were granted was HK\$0.058. During the year, no option was exercised or lapsed under the Old Scheme.

## New Scheme

Directors	No. of options granted during the year	Date granted	Period during which options are exercisable	Subscription price per share HK\$	No. of options outstanding at 30 June 2006	% of issued share capital at 30 June 2006
Tan Sim Chew	13,300,000	10 January 2006	11 July 2006 to 10 July 2009	0.05	13,300,000	0.998
Fu Zi Cong	13,300,000	10 January 2006	11 July 2006 to 10 July 2009	0.05	13,300,000	0.998
Lo King Fat, Lawrence	13,300,000	10 January 2006	11 July 2006 to 10 July 2009	0.05	13,300,000	0.998
Aggregate of employees	26,600,000	10 January 2006	11 July 2006 to 10 July 2009	0.05	26,600,000	1.997

The closing price of the shares immediately before the date on which the above options were granted was HK\$0.05. There was no outstanding options as at 1 July 2005. During the year, no share options were exercised, cancelled or lapsed under the New Scheme.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2006, the person having an interest in 5% or more of the issued share capital of the Company as recorded in the register of interest in shares and short positions required to be kept under section 336 of the Part XV of SFO was as follows:

Director	Number of ordinary shares interested	Number of share options interested	Total interest	Percentage of total issued shares
Tan Sim Chew	261,965,226	13,300,000	275,265,226	20.67

*Note:* The above shares are held by Mr. Tan Sim Chew personally.

Save as disclosed herein, no other person was recorded in the register of interests and short positions maintained under section 336 of Part XV of the SFO as having an interest of in 5% of more of the issued share capital of the Company as at 30 June 2006.

## DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

## FIVE YEAR 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 76.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under Companies Law in the Cayman Islands.

## PENSION SCHEMES

The Group implements the Mandatory Provident Fund scheme for its employees in Hong Kong, under which the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000.



For employees of certain subsidiaries who were employed via the Xiamen Labour Services Company ("XLSC"), the Group is required to pay monthly contributions, being a certain percentage of monthly payroll costs, for each employee to XLSC. The Group's other employees are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme.

Contributions paid in respect of retirement benefits for the year totaled HK\$429,000 (2005: HK\$613,000).

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

By Order of the Board

**Tan Sim Chew**

*Chairman*

Hong Kong, 13 October 2006